As of 11 a.m. ET **DJIA** 10162.48 ▼ 0.31% **FTSE 100** 5217.47 ▼ 1.13% **Nikkei 225** 10252.08 ▼ 0.71% **Shanghai Comp.** 2986.61 ▼ 1.09% **Hang Seng** 20033.07 ▼ 0.38% **Sensex** 16289.82 ▼ 2.92% **S&P/ASX 200** 4644.64 ▼ 1.55%

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Toyota faces quality questions

Toyota Motor Corp.'s unprecedented decision to halt sales on its most popular models in the U.S. underlines the biggest question dogging the world's No. 1 car maker: whether it has sacrificed quality in its quest to capture global market share.

By Norihiko Shirouzu, Mariko Sanchanta And Yoshio Takahashi

The Japanese car maker, which long has been viewed as the leader in automotive quality, told dealers in the U.S. and Canada on Tuesday to stop selling eight models, including the popular Camry and Corolla sedans, in response to growing concerns that possible defects may cause the vehicles to accelerate unintentionally. The eight models represented 57% of Toyota's 2009 U.S. sales.

Toyota also said it will stop producing the affected vehicles at several North American plants for one week starting Feb. 1.

Toyota shares in Tokyo Wednesday closed down 4.3%—its trading volume was twice its 25-day moving average—while the benchmark Nikkei Stock Average of 225 companies closed down 0.7%.

The U.S. recall comes as a difficult time for the Japanese auto maker, which last year overtook longtime industry giant **General Motors** Co. in terms of vehicle production. Toyota is bracing for its second straight annual loss as the global economic slump and the strength of its home currency undermine its bottom line. The company also faces pressure from shareholders to trim capacity and cut jobs, an idea generally

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■ Heard on the Street: Return to profits is in doubt. 34
■ Disquieting vision comes true for Toyota president. 17

U.S. lawmakers blast Geithner over AIG bailout

Bloomberg News

U.S. Treasury Secretary Timothy Geithner is sworn in Wednesday before a congressional committee hearing in Washington, where he came under fire from lawmakers over the rescue of insurer American International Group Inc. **Page 3.**

Fed view improves, rates stay near zero

By Luca Di Leo And Tom Barkley

WASHINGTON—The Federal Reserve Wednesday gave a slightly more upbeat reading of the U.S. economy's outlook, but left short-term interest rates near zero to help support a soft recovery.

A day before Chairman Ben Bernanke is expected to face a tough vote in the Senate to win a second term, Kansas City Fed President Thomas Hoenig voted against keeping rates so low. A Fed veteran, Mr. Hoenig is concerned the stimulus pumped to fight the crisis may stoke inflation.

The Fed's policy-setting committee stuck to a plan to end its purchases of mortgage securities by the end of March and let most of its emergency-lending programs expire by Feb. 1.

With the worst of the financial crisis over, the U.S. central bank is gradually removing the huge stimulus pumped into the economy to counter a severe recession before it triggers inflation.

The Federal Open Market Committee changed a sentence from its statement that

Please turn to page 9

Apple debuts iPad device

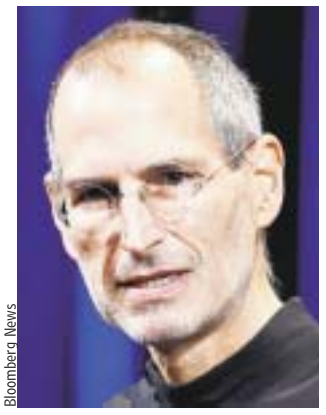
By Yukari Iwatani Kane And Don Clark

Apple Inc. Chief Executive Steve Jobs unveiled a highly anticipated tablet-style device called the iPad, capping months of speculation about the closely guarded product.

The multimedia device, which resembles an iPod touch but larger, will be sold in various models that cost between $499 and $829. Apple will sell some models with data plans from **AT&T** Inc., with no contract required.

At an event in San Francisco, Mr. Jobs showed the device, which has a 9.7-inch color display and touch-screen keyboard. He said the iPad comes with the iTunes store as well as a new iBooks store.

"It's so much more intimate than a laptop and so much more capable than a smart phone," Mr. Jobs told the audience.



Bloomberg News

Steve Jobs

The tablet can be used to browse the Web, read email and books and play games. He said the device has a battery that lasts up to 10 hours.

Initially only available in the U.S., he said international versions would be available later this year.

The introduction comes just two days after Apple announced its best-ever quarterly profits and revenue, though some of that performance came from an accounting change.

The biggest question is whether changes since the early 1990s in the technology landscape—and consumer habits—could give the tablet a happier ending than its predecessors. Early tablet forays lacked high-speed wireless networking and Internet-based content, which Apple can tap for its device.

There are still plenty of

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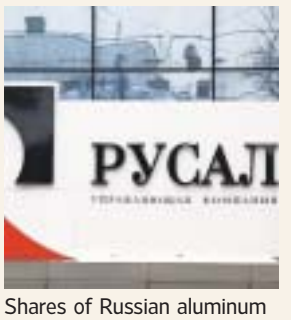
Rusal IPO



Shares of Russian aluminum giant Rusal fell 11% on their first day of trade in Hong Kong. In an interview, CEO Oleg Deripaska blamed the decline on weakness in global markets. **Page 21**

Heard on the Street

Rusal's sinking feeling: Hong Kong's broader investing community has shown it is none too impressed. **Page 34**

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What's News—

* * *

Business & Finance

■ **Shares of Rusal**, the giant aluminum company, dropped 11% on their first day of trading, highlighting the risk that prompted Hong Kong regulators to limit the offering to professional investors. CEO Oleg Deripaska shrugged off the weak debut. **21, 34**

■ **The private-equity arm** of Citic Group raised $1.32 billion to create the largest yuan fund in China, focusing on turning around state-owned enterprises. **21**

■ **Chinese authorities' repeated** moves to rein in bank lending in recent weeks highlight the addiction of the nation's banks to loose credit, and efforts to wean them off could lead to further turmoil in global financial markets. **22**

■ **U.S. stocks fell** as lower earnings at Caterpillar and a surprise drop in home sales revived worries about the economy. Asian stocks declined amid continued concerns about Chinese bank-lending restrictions. **29**

■ **U.S. single-family home sales** unexpectedly fell 7.6% in December from November, as Arctic air mixed with joblessness and put more of a chill on hopes for a market recovery. **WSJ.com**

■ **Chinese state-run media** trumpeted comments by Microsoft's Gates that played down China's Internet restrictions. Separately, Beijing said it won't limit the use of Google's Android operating system for mobile devices by Chinese telecom operators. **4**

■ **Boeing said it doesn't plan** further cuts to commercial-aircraft production as the company swung to a $1.27 billion profit. **25**

■ **Canon said digital cameras** powered a more-than-fivefold increase in fourth-quarter profit. **24**

■ **Hang Lung Properties said** its first-half underlying profit surged, buoyed by stronger property sales and rental income. **23**

Associated Press

Leading economists at the World Economic Forum's annual meeting said the global recovery could lose pace this year. A rising number of European policy makers and analysts say the EU's international influence may have peaked as the U.S. and China gain prominence. Above, participants walk inside the Congress Center in Davos, Switzerland. **Page 18.**

■ **Caterpillar's earnings fell 65%**, but the heavy-machinery maker said demand is picking up. **25**

■ **UAL and AirTran became** the latest airline companies to report surprisingly strong quarterly results. **22**

■ **Australia's inflation cooled** in the fourth quarter, but other indicators rose above the central bank's target band. **6**

■ **An IMF working paper warned** that the market's ability to absorb Japanese public bonds will likely diminish in years ahead as the country's population ages. **27**

■ **World trade volume increased** for the third straight month in November, indicating that the global economic recovery is gaining traction. **7**

■ **Yahoo swung** to a quarterly profit as its ad business showed further signs of stabilizing. **26**

* * *

World-Wide

■ **Sri Lankan President** Rajapaksa was handily re-elected in the country's first national vote since last year's defeat of separatist Tamil rebels, but his top challenger refused to concede. **5**

■ **A Cambodian court sentenced** opposition leader Sam Rainsy in absentia to two years in prison for a political protest in which border markers were uprooted on the frontier with Vietnam.

■ **North Korea fired** artillery shells into the water near its maritime border with South Korea in two separate incidents, prompting warning shots from the South. **4**

■ **Nations will meet in London** on Thursday to work toward bolstering Afghanistan's ability to police itself. **7**

■ **Malaysia's religious** and racial conflicts could worsen after worshippers found the severed heads of wild boars at two mosques. **6**

■ **Another possible acid attack** in Hong Kong revived concerns for public safety. **6**

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WORLD NEWS

U.S. lawmakers, AIG rescuers spar

By Michael R. Crittenden

WASHINGTON—U.S. lawmakers blasted decisions that allowed **American International Group** Inc.'s major trading partners to make out with billions, as the architects of the government's 2008 response to the financial crisis defended their actions.

"In effect, the taxpayers were propping up the hollow shell of AIG by stuffing it with money, and the rest of Wall Street came by and looted the corpse," Rep. Edolphus Towns (D, N.Y.) said in opening remarks before a standing-room-only crowd in a Capitol Hill hearing room on Wednesday.

Rep. Darrell Issa (R, Calif.) said before the hearing began that he has "lost confidence" in Treasury Secretary Timothy Geithner, who was head of the Federal Reserve Bank of New York when the government decided to rescue AIG, in part by paying the insurer's counterparties a total of $62 billion to tear up troubled insurance contracts, at the height of the financial crisis.

Mr. Geithner was grilled by the House Committee on Oversight and Government Reform, which has subpoenaed more than 250,000 pages of documents on the AIG deliberations. Lawmakers have focused on documents that show little effort was made to negotiate with AIG's trading partners, and that after the rescue, Fed officials sought to hamper efforts to disclose the names and amounts big banks received.

Former Treasury Secretary Henry Paulson and the New York Fed's top in-house lawyer also testified. Mr. Geithner, Mr. Paulson and New York Fed General Counsel Thomas Baxter defended their actions in the final four months of 2008 as the crisis peaked.

"We did not act to protect the financial interests of individual institutions. We did not act to help foreign banks," Mr. Geithner said in his prepared remarks, asserting that officials acted in what they believed to be the best interests of the American people. He also said he personally had no role in making decisions "regarding what to disclose about the specific financial terms" of the November 2008 rescue.

Bloomberg News

Treasury Secretary Timothy Geithner testifies Wednesday on Capitol Hill.

Mr. Geithner said the steps taken were necessary to prevent an "utter collapse" of the nation's economy.

"Thousands of more factories would have closed their doors, millions of more Americans would have lost their jobs," Mr. Geithner said of the possible economic effects of letting AIG collapse.

The "controversial, terribly difficult" decisions made by U.S. policy makers at the height of the financial crisis highlight the need for an overhaul of regulation of the financial services industry, he said.

If lawmakers are upset with the decisions that were made, he said, they should move quickly to enact the financial regulatory overhaul proposals the Obama administration has made a key part of its domestic policy agenda.

"If you're outraged by AIG, and you should be...then you should be deeply committed to financial reform," Mr. Geithner said.

Mr. Paulson distanced himself from the AIG decisions, saying he had no personal role in the November 2008 decisions that led to the counterparty payments. But he said he supported the effort and said the government couldn't have let AIG face almost certain failure.

"I believe we would have seen a complete collapse of our financial system and unemployment easily could have risen to the 25% level reached in the Great Depression," Mr. Paulson said in his remarks.

Federal Reserve Chairman Ben Bernanke, who didn't appear before the committee Wednesday, said in a letter that the health of AIG's major trading partners wasn't a factor in the government's negotiations. "Whether the individual counterparties were in relatively sound financial condition or not was not a factor in the decision regarding the amount paid to the counterparties or whether concessions should be sought from them," he said.

WORLD NEWS: ASIA

China ratchets up Web privacy fight

Favorable remarks by Bill Gates get prominent media play as government counters criticism from Google, Clinton

By Sky Canaves

BEIJING—Chinese state-run media trumpeted comments by **Microsoft** Corp. Chairman Bill Gates that played down China's Internet restrictions, as the government continued to ratchet up its rebuttal of recent U.S. criticisms of its Web policies.

Mr. Gates, in an interview with ABC's "Good Morning America" this week, said that China's "efforts to censor the Internet have been very limited," and likened its controls to those of other countries. In separate comments, he criticized Microsoft rival **Google** Inc.'s statement this month that it would stop obeying Beijing's censorship rules on its Chinese-language site, and might close its offices in the country.

On Wednesday, several Chinese newspapers gave the comments prominent display. "Bill Gates Bats for China," read the lead headline in the English edition of the Global Times, a tabloid published by the People's Daily, the Communist Party's official newspaper. The tabloid's Chinese version, which claims a daily circulation of 1.5 million, also devoted its front page to Mr. Gates's comments and to Western media reports of them, while China Daily, the country's main English-language paper, highlighted the comments on page one.

Associated Press

Bill Gates, shown speaking in November, has criticized Google's recent statements regarding Chinese Internet policy.

Mr. Gates's comments echoed similar remarks made last week by Microsoft Chief Executive Steve Ballmer, but Mr. Gates's celebrity status in China appears to have given his words greater weight. His comments followed a speech by U.S. Secretary of State Hillary Clinton last week vowing to make Internet freedom a centerpiece of American foreign policy and praising U.S. companies that promote free information.

Chinese media have mounted a concerted effort to discredit Mrs. Clinton's remarks about China in that speech, as well as Google's allegations in its Jan. 12 statement that it and other companies were targeted by cyberattacks originating in China. Dozens of commentaries published since last week have described the U.S. criticism as hypocritical and alleged that Google is being used as a pawn by Washington.

Mr. Gates said the Internet has helped free expression, and that in China it is "easy to go around" the government's system of controls. "And so I think keeping the Internet thriving there is very important," he added. He said other countries restrict some Web content, such as pornography, and noted that Germany censors statements related to the Nazi Party. "And so you've got to decide: Do you want to obey the laws of the countries you're in, or not?" the Microsoft co-founder told ABC host George Stephanopoulos on Monday.

Chinese officials have made similar statements, saying China's management of the Internet is in line with international practice and that foreign companies in China must obey its laws. In separate comments Monday to the New York Times, Mr. Gates belittled Google's China statement. "They've done nothing and gotten a lot of credit for it," he said. "What point are they making?"

China's Internet controls go far beyond those of countries like Germany, censoring a wide range of politically sensitive content and blocking access entirely to foreign sites like YouTube and Facebook. Chinese authorities have arrested numerous dissidents for using the Internet to criticize the government, including Zhao Lianhai, jailed last year for running a Web site to help families like his whose children were poisoned by tainted milk powder made by government-owned companies.

Simon Leung, who is head of Microsoft's China operations, declined to comment on the Chinese media's response to Mr. Gates's statements.

Microsoft's Internet business has struggled to gain a foothold in China. The Web search market here is dominated by **Baidu.com** Inc. and Google, which had combined market share of about 94% in the fourth quarter of 2009, according to research firm Analysys International.

In a separate development, a Ministry of Industry and Information Technology spokesman said the Chinese government won't limit the use of Google's Android operating system for mobile devices by Chinese telecommunications operators. The comments were China's first official word on the future of the Android operating system since Google's announcement that it will stop obeying government censorship rules on its Chinese search site as a result of concerns over hacking and censorship.

The spokesman's comments suggest that the government might be open to permitting parts of Google's business to continue to function in China despite that announcement.

"As long as it complies with Chinese laws and regulations, and as long as it has good cooperation with operators ... their use of the system won't be limited." MIIT spokesman Zhu Hongren said Wednesday at an annual news briefing.

—Aaron Back and Sue Feng contributed to this article.

North and South Korea exchange shots

By Evan Ramstad

SEOUL—North Korea fired artillery shells into the water near its maritime border with South Korea in two separate incidents Wednesday, prompting warning shots from the South.

The exchange, which caused no injuries or damage, underscored the divergent tracks relations between the two countries are taking, as peaceful negotiations are punctuated by bellicose rhetoric and occasional hostile actions.

South Korean defense officials said Wednesday they fired warnings shots into the air from a nearby island in response. North Korea's state media issued a statement saying the firings were part of a military drill. The country earlier this week declared an area in the Yellow Sea near the inter-Korean maritime border a "no sail" zone.

Wednesday's firings occurred from positions on North Korea's southwest coast and didn't cross into South Korean water.

The episode is part of a trend taking place over the past few months between the North and South. While the militaries from the two countries have been steadily provoking and criticizing each other, economic and humanitarian discussions between the two are proceeding openly. The discussions are part of North Korea's recent effort to secure economic help and are a break from sanctions imposed by the United Nations Security Council after Pyongyang tested a nuclear explosive last May.

Reuters

South Korean soldiers conduct a military drill Wednesday in Yanggu near the demilitarized zone, northeast of Seoul, separating the two Koreas.

South Korea's defense ministry said the North's firing created "unnecessary tension." But the leader of South Korea's Unification Ministry, which deals with North Korea, said it wouldn't cause the South to delay plans to meet with counterparts from the North next week on economic matters.

Last week, North Korean military officials criticized South Korea's defense minister after he said in a speech that the South would attack the North if it detected North Korea planning to use nuclear weapons against the South.

In November, naval ships from the two Koreas that were sailing near the maritime border traded gunfire for the first time in seven years.

After the South Korean patrol boat fired a warning shot, the North Korean vessel fired more than 50 rounds, with at least 15 hitting the South Korean boat. The South Korean vessel returned a barrage of more than 100 rounds, setting fire to the North Korean ship. That ship reportedly made it safely back to port in North Korea.

Separately, South Korea's intelligence agency on Wednesday issued a new alert about cyberattacks on government networks, though it didn't specify a nation of origin. In June, it blamed North Korea for a series of attacks that denied service to business and government Web sites in the U.S. and South Korea.

—Jaeyeon Woo contributed to this article

Sri Lanka chief wins

Challenger Fonseka holes up in hotel, protesting incumbent's victory

Sri Lankan President Mahinda Rajapaksa was handily re-elected in the country's first national vote since last year's defeat of separatist Tamil rebels, but the outcome sparked a standoff Wednesday when his top challenger refused to concede.

*By **Matthew Rosenberg** in London and **Thavayoganathan Sajitharan** in Colombo, Sri Lanka*

In a sharp reminder of the ugly and sometimes violent campaign, retired army chief Gen. Sarath Fonseka rejected the results from Tuesday's vote and remained holed up in a Colombo hotel surrounded by heavily armed soldiers and police.

His political allies said he feared assassination if he left. The government said he was free to go. Both sides sent out text messages to phones across the country accusing the other of lying.

Sri Lanka's election commission said Mr. Rajapaksa won about 58% of the vote compared with Mr. Fonseka's 40%.

The postelection tensions were the latest stage in a contest that laid bare the deep divide among Sri Lankas following more than a quarter century of ethnic strife. The conflict ended in May when government forces wiped out the Liberation Tigers of Tamil Eelam, who fought in the name of the Tamil minority.

Many Sri Lankans had hoped the campaign would help the country chart a path forward. Instead, the election has underscored how the Tigers' defeat did little to change the power dynamics that first led to the rebellion: The Sinhalese majority still dominates the state and Tamils remain marginalized, dispirited after seeing their aspirations for equality and a national homeland crushed when thousands of civilians were killed along with insurgents in the protracted war's final stage.

While the Sinhalese consider Messrs. Rajapaksa and Fonseka heroes for their roles in defeating the Tigers, Tamils were wary of both.

Mr. Fonseka had struck a more conciliatory tone in hopes of attracting votes from Tamils, who make up almost one-fifth of Sri Lanka's 21 million people and were expected to play a deciding role in the election with the Sinhalese vote split. Instead, turnout was under 30% in some areas of the north and east where Tamils dominate, compared with 70% nationwide, according to the election commission.

Now there is deep skepticism among Tamils that Mr. Rajapaksa, whose backers include hard-line Sinhalese nationalists, will deliver on vague assurances to address their grievances. Plans to give Tamil majority areas of the north and east more local power are stalled, and about 100,000 Tamils civilians remain interned in camps in the north, according to foreign diplomats

"We were not interested in this election right from the beginning. There is nothing for us to celebrate. We have to wait and see what the future holds for us," said Nirmala Pushparaja, 34, a Tamil homemaker in Colombo.

The president also faces a wary international community that has been sharply critical of his government's alleged rights abuses, including the disappearance of Tamil civilians suspected of sympathizing with the Tigers and the killings of critical journalists. The government denies any roles in the killings and says it treats Tamils fairly.

Announcing the results, Election Commissioner Dayananda Dissanayake said he regretted that the state media failed to adhere to the election guidelines.

In the days leading up to the election, Mr. Rajapaksa's spokesman acknowledged that the state media had openly campaigned for the president.

As night fell, the former general remained in the Cinnamon Lake Hotel with about 400 supporters, some of whom the government said were army deserters. Sri Lankan soldiers ringing the hotel were there "to protect the hotel guests and see that the fugitives"—the alleged deserters—"don't hold them to ransom," said Foreign Affairs Minister Rohitha Bogollangama. He said Mr. Fonseka wasn't going to be harmed or arrested.

—Arlene Chang in Mumbai contributed to this article.

WSJ.com

Online Today: See more photographs from the Sri Lankan election at asia.WSJ.com.

Reuters

Rajapaksa supporters celebrate in Colombo on Wednesday.

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Boar heads put at 2 mosques

Latest incident involving a Malaysian place of worship could exacerbate religious tensions

By James Hookway

Malaysia's simmering religious and racial conflicts could worsen after worshippers Wednesday found the severed heads of wild boars at two mosques amid a dispute over whether Christians can use the term "Allah" as a translation for God.

Muslims consider pigs unclean, and leaving boar heads at a mosque is a potentially inflammatory insult, mirroring an incident last year when Muslim activists flung a severed cow's head on the proposed site for a Hindu temple near Kuala Lumpur.

Wednesday's incident is the most offensive case of sacrilege against a Muslim place of worship since a storm erupted over the use of the Arabic word "Allah." It threatens to further upset this resource-rich, racially-diverse country and complicate Prime Minister Najib Razak's efforts to build a multiracial support base before national elections, which must be held by 2013.

Malaysia's High Court ruled on Dec. 31 that the Malay-language pages of the Roman Catholic Church's weekly newspaper could use the term "Allah" as a translation for God. That decision—which the government is appealing—triggered protests among Muslims who say the Arabic word should be reserved solely for Islam. They say they worry that the Christian use of the term could inadvertently trick Muslims into converting.

Since the ruling, 11 churches have been attacked or vandalized in various parts in Malaysia, and the administration office of one church in Kuala Lumpur was burned to the ground. A Sikh temple has also been attacked, as have two Muslim prayer rooms.

Khalid Abu Bakar, chief of police in Selangor state near Kuala Lumpur, where one of Wednesday's incidents occurred, said a group of men who went to Sri Sentosa Mosque to perform morning prayers at 5:30 am found two boar heads wrapped in plastic bags on the grounds. Their mouths were stuffed with bank notes.

Agence France-Presse/Getty Images

Students watch police at one of two Malaysian mosques that were vandalized after boars heads were found inside.

Authorities reported a second similar incident in a nearby district.

Home Minister Hishamuddin Hussein said the government was determined to track down the perpetrators. "We are dead serious about this," he told a news conference in Kuala Lumpur. "We will bring them to justice."

Mr. Khalid said police hadn't identified any suspects and were continuing their investigation. He urged people to remain calm, as did Zulkifli Mohamad, the top official at the Sri Sentosa mosque.

The attacks this month have rocked the fragile racial and religious balance in this predominantly Muslim country of 28 million people, where relations between Muslim ethnic-Malays, who make up 60% of the population, and Malaysia's ethnic-Chinese and Indian minorities are generally amicable.

Since taking office in April 2009, the prime minister, Mr. Najib, has set out to win over the support of Malaysia's ethnic minorities, but the High Court ruling has complicated his efforts. Political analysts say that to maintain the ruling National Front coalition's strength in Malaysia's Muslim-Malay heartland, his government needs to be seen visibly defending the Islamic faith from perceived threats.

That stance, however, unsettles many of Malaysia's non-Muslim minorities, who fear the country has gradually adopted an increasingly politicized form of Islam in recent years.

Opposition leaders, including Anwar Ibrahim, himself a Muslim, have said there is no theological argument against non-Muslims using the word "Allah," and that the term is commonly used by minority Christian communities in Arabic-speaking countries in the Middle East. Many Malay-speaking Christians in eastern Malaysia also use the term to denote God.

Separately, the Associated Press reported that the home minister, Mr. Hishammuddin, said Wednesday that Malaysia has arrested 10 terror suspects under its Internal Security Act, including nine foreigners allegedly with ties to an international network of militants.

Mr. Hishammuddin declined to give the suspects' nationalities, their organization or their objectives. Over the past decade, Malaysian authorities have held more than 100 militant suspects, most of whom have been members of the al Qaeda-linked Jemaah Islamiyah network, which has its headquarters in neighboring Indonesia.

"This is a very serious threat to the security of our country," the AP quoted Mr. Hishamuddin as saying.

—Celine Fernandez contributed to this article.

Police probe liquid incident in Hong Kong

By Jonathan Cheng

HONG KONG—An apparent acid attack in Hong Kong on Wednesday left two people slightly injured, reviving public safety concerns after a wave of similar incidents in recent months.

Yu Tat-chung, senior superintendent for Hong Kong Island's crime unit, said that the latest incident resembled previous attacks but said it was still too early to conclusively draw a link.

Police said late Wednesday that they hadn't yet confirmed the nature of the liquid. But the incident comes at a sensitive time after several months of what are believed to be deliberate acid attacks.

About two weeks ago police charged a 23-year-old man in connection with a similar incident last month in a nearby commercial district. But police said at the time that the suspect didn't appear to be connected to previous attacks.

The attacks over the past 14 months have injured more than 100 people, though nobody has been killed and only two have been seriously injured.

'It's too early to say if it was a mistake or if someone was deliberately pouring this liquid,' said Yu Tat-chung, the crime unit's senior superintendent

Like previous attacks, Wednesday's incident in Hong Kong's busy North Point district involved corrosive liquid apparently thrown into a crowded shopping district from a nearby high-rise building.

Mr. Yu said police were conducting door-to-door investigations in the area and would test samples of the liquid found at the scene.

"We can't rule out the possibility that it was an accident, and it's too early to say if it was a mistake or if someone was deliberately pouring this liquid," Mr. Yu said.

The two injured citizens were harmed "only very lightly," Mr. Yu said, and were taken to the hospital for treatment.

"We haven't found any evidence yet that this is connected to any of the previous cases," he said. Unlike in previous cases, no bottle or canister was found. The apparent attack also took place during a weekday, in contrast to previous weekend attacks.

The attacks have shaken confidence in a city that boasts low levels of violent crime. So far, the police have arrested three men and charged one of them in relation to the attacks.

The difficulty of the police's work has been compounded by the fact that, in Hong Kong's best-known retail districts, densely packed high-rise towers mix with older buildings that typically don't have security guards or password-protected entrances.

The first incident was in December 2008, when two bottles of acid were hurled into a pedestrian shopping area packed with Christmas shoppers, burning 46 people. Since then, a string of attacks has persisted in spite of expensive surveillance systems and a big police push.

Australia is expected to raise rates

By Enda Curran

SYDNEY—Australia's inflation cooled in the fourth quarter, but underlying measures remained above its central bank's target band, reinforcing expectations of an interest-rate increase next week.

With an upswing in Australia's economy well under way, economists expect the Reserve Bank of Australia will focus on a likely buildup in inflation pressures as demand outstrips supply in key sectors of the economy, including skilled labor and housing.

Australia—one of the first nations to raise rates as the world emerged from the economic slump—is being closely watched by other central banks as they weigh when to curtail loose money policies.

The consumer-price index rose 0.5% in the fourth quarter from the previous quarter, slowing from a 1% rise in the third quarter, Australia's Bureau of Statistics said Wednesday. The index was up 2.1% from the year-earlier quarter. Economists had expected a quarterly rise of 0.4% and a year-to-year gain of 2%.

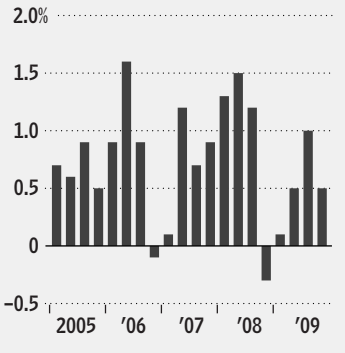
The central bank's preferred core measures of inflation, which strip out a range of volatile prices, slowed to an average of 0.65% in the fourth quarter from 0.8% in the third. From a year earlier, the core measures rose an average 3.4%, which is above the central bank's target band of 2% to 3%. Economists had expected the central bank's core measures would rise 0.6% from the previous quarter and 3.3% from a year earlier.

"This is an inflationary signal that is saying [the RBA] doesn't need to have rates as low as they have been to keep the economy going," said Justin Smirk, chief economist at St. George Bank. "Now that capacity is being used and chewed up in the economy, rates need to be at historically normal levels, not at stimulatory levels."

Analysts expect the central bank's board to decide on another 25-basis-point increase in the central bank's cash-rate target to 4% when it meets Tuesday following a string of strong data since the board last met in December, including on jobs and retail sales. The central bank has already raised its cash rate target three times since October.

Cooling, for now

Australia's consumer price index, change from a year earlier



Source: Australian Bureau of Statistics

Treasurer Wayne Swan said inflation should remain moderate in the near term, but that he is cognizant of rising capacity constraints.

"The government remains firmly focused on lifting the productive capacity of our economy," he said.

Inflation fears are focused on sectors of the economy that have drawn significant investment in recent months, such as natural resources and housing. Meanwhile, the pace of consumer demand is expected to be kept in check as the effects of one-time direct stimulus payments from the government continue to wane. Major retailer **Woolworths** Ltd. Wednesday said its sales growth nearly halved in its second quarter from a year earlier.

Savanth Sebastian, economist at Commsec, said judging by the core inflation numbers, price pressures are going to become a real concern as the year goes on, meaning the central bank will again tighten policy in either February or March before pausing.

"It all comes down to spare capacity," he said. "The labor market conditions have improved quite dramatically." Unemployment in December fell to 5.5% from 5.6%.

Earlier Wednesday, the International Monetary Fund upped its forecasts for Australia's economy to grow 2.5% in 2010 from a previously forecast 2%. The IMF expects Australia's economy to grow 3% in 2011.

—Geoffrey Rogow and Rachel Pannett in Canberra contributed to this article

Getty Images

Afghan security officers monitor traffic along a busy shopping street in Kabul on Wednesday.

Afghan issues vex allies

Conference in U.K. to address troop levels, corruption and security

LONDON—An international conference here Thursday will likely yield some near-term steps toward bolstering Afghanistan's ability to police itself and develop and rid its economy of corruption.

By Alistair MacDonald and Matthew Rosenberg

But the big picture will remain largely unchanged: International troops will be a major presence for years to come, even as Afghanistan and its Western backers increase the number of Afghan police and soldiers by about 50%.

Thursday's meeting will be attended by foreign ministers from around 60 countries and representatives of bodies such as the United Nations, who will coordinate international action on aiding Afghanistan's political, governance and development efforts. The conference will set out a timetable for training and mentoring Afghan troops, and outline a process for transferring security from foreign forces to Afghan troops, province by province.

Under a plan to be announced at the conference, Afghan Finance Minister Omar Zakhilwal Zakhilwal said, Afghanistan's army will grow from just over 100,000 soldiers serving today to about 171,000 soldiers by the start of 2012. The police force will grow from roughly 97,000 to 134,000.

Both the army and police will see further growth in following years, Mr. Zakhilwal said, although he offered no specific figures or time frames beyond those set for the beginning of 2012.

Expanding Afghanistan's security forces was a major element in the strategy for stabilizing Afghanistan unveiled late last year by U.S. President Barack Obama. Top U.S. officials at this week's conference, including Secretary of State Hillary Clinton and Gen. Stanley McChrystal, aren't expected to specify a hard target for training Afghan soldiers and police. Privately, officials from the U.S. and Afghanistan have suggested about 400,000 are needed.

The transfer of authority to Afghan forces from the coalition authority was one of several items Mrs. Clinton addressed in a meeting with Afghan President Hamid Karzai on Wednesday. Mrs. Clinton was also set to address the reintegration of Taliban fighters and broader development issues, and was planning to release an "action plan" designed to empower women in Afghanistan.

Bloomberg News

Hamid Karzai, right, met with Germany's Angela Merkel in Berlin, Wednesday.

U.S. officials at the London conference are also focusing on improving logistical support for the Afghan war. U.S. officials said Russia has begun to allow coalition forces to use Russian airspace to supply Afghanistan, with three air missions being conducted in recent months. Kazakhstan has also agreed to begin to allow North Atlantic Treaty Organization forces to transit Kazakh airspace.

Mr. Karzai will also make commitments to fighting corruption to be put into legislation and the conference will discuss a fund, donated by the U.S., U.K. and Japan but managed by the Afghans, that will be used to help "integrate" Taliban fighters by helping them develop careers in areas such as agriculture.

Commitments to increase the size of the Afghan forces, however, aren't clarifying the broader question of how long Western troops will be deployed in the country. Diplomats acknowledge that this week's conference won't set out detailed timetables on issues such as Western troop withdrawals. Nor will it set a specific target on which provinces the Afghans will take the lead on.

While the conference is meant to deal with the next 12 to 18 months, negotiators have been broadly working with a four-to-five-year timetable in mind, echoing comments by Mr. Karzai that it would be at least five years before Afghan security forces can take a lead role. U.S. Defense Secretary Robert Gates has said the withdrawal of the American surge troops could take as long as four years.

"The international community will have to be there for a long time. It is important to concentrate on end states, not end dates," said a British official involved in negotiations.

Attempts to get lasting Afghan commitments to issues such as corruption and women's rights may also be hurt by the fact that the country doesn't yet have a complete government in place.

Such problems had raised skepticism about the conference among some participants, as has the fact that it presents an opportunity for host Gordon Brown, the U.K. prime minister, to present himself as a global statesman ahead of a general election.

Canada's Minister of Foreign Affairs Lawrence Cannon said 2010 is a "pivotal year" for Afghanistan and the conference is an important one. It "demonstrates the international community's will to work with the new Afghan government to deliver a coordinated political, civil and military effort to counter the insurgency and provide good governance and development for the people of Afghanistan," he wrote in an e-mail.

—Jay Solomon contributed to this article.

World trade rose 1.1% in November

By Paul Hannon

LONDON–World trade volume increased for the third straight month in November, indicating the global economic recovery is gaining traction.

Figures compiled by the Netherlands Bureau for Economic Policy Analysis–also known as the CPB–showed Wednesday that trade volume rose 1.1% in November.

The CPB also raised its growth estimate for October to 1.4%, from 0.8% previously.

The CPB said trade flows remain well below the levels that were common before the intensification of the financial crisis after the collapse of Lehman Brothers in September 2008, though.

The CPB's figures are closely watched by policy makers, including a number of central banks, because they provide the earliest available measure of global trade.

World trade flows plummeted in the final months of 2008 and the early months of 2009, declining at the sharpest rate since the Great Depression and to the greatest extent since World War II.

Flows began to level out in the second quarter of last year, and now appear to be on the increase.

The recovery in trade flows was cited by the International Monetary Fund as one reason for its decision to raise its growth forecast for the global economy Tuesday.

The CPB said it now expects world output to rise 3.9% this year and 4.3% next year, having previously forecast growth of 3.1% and 4.2%, respectively.

In November, flows were 12% below their April 2008 peak, but were 10% above their recent trough, in May 2009.

The CPB said the rebound in trade continued to be driven by developing economies.

IATA says freight demand in December was up 24.4% from one year earlier.

While imports to developing economies grew 5% in November, imports to developed economies grew just 2.6%.

The euro zone was the only major region to record a decline in imports, a drop of 1.7%.

Mirroring the pickup in trade, the CPB said world industrial production also continued to rise in November, by 1.2% from October.

Once again, growth was strongest among developing economies, where factory output increased 1.6%.

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Obama to tout jobs push in speech

Tax cuts for small business are among State of the Union topics; poll shows Americans want eyes on economy

By Jonathan Weisman And Peter Wallsten

WASHINGTON—President Barack Obama intends to use Wednesday's State of the Union address to put a new focus on his jobs agenda as he tries to regain the confidence of a disheartened electorate. He will make small-business hiring the centerpiece of that message, pressing Congress to act on a slate of tax cuts that have languished for months, administration officials said Tuesday.

Mr. Obama will call for eliminating capital-gains taxes on investments in small businesses. He will redouble efforts to give small employers a tax credit for new hires. And he will call for extending bigger tax breaks to those that purchase new facilities and equipment.

Many of the proposals date back to his campaign but have drawn little notice in a Congress preoccupied with other matters, such as overhauling health care.

According to a new Wall Street Journal/NBC poll, Americans think the president has paid too much attention to health care and not enough to the economy. At the same time, the number of people who approve of the job Mr. Obama is doing on the economy rose to 47%, five points higher than in the December survey. Only 27% of registered voters said their decision on whom to support in the November congressional elections would be "a vote to send a signal of opposition."

White House officials hope to harness that slight improvement, as the president and his cabinet fan out across the country to press the White House's jobs agenda. The president and vice president will make a campaign-style appearance in the pivotal swing state of Florida Thursday, and Mr. Obama will fly to Nashua, N.H., on Tuesday.

They also hope to bolster the visibility of the administration's economic team.

The point people for the small-business initiatives will be Treasury Secretary Tim Geithner and Small Business Administrator Karen Mills, officials say. Thursday, Mr. Geithner travels to Minneapolis to tour a Honeywell factory and have a discussion with local business leaders. In the poll, 11% of Americans feel positively about the Treasury chief. Nearly one in five has negative feelings about him, while more than half said they didn't know his name or weren't sure.

The speech will also promise a list of other initiatives for 2010. Mr. Obama will announce a salary freeze for senior White House officials and eliminate bonuses for all political appointees. He will touch on the politically difficult subject of allowing gays to serve openly in the military and call for a broad rewriting of the nation's immigration laws.

On defense, he will talk up counterterrorism efforts in Asia, Africa and the Middle East. He will also announce an initiative to respond more quickly and more effectively to public-health threats, White House press secretary Robert Gibbs said.

Even as he shifts some of his focus, White House officials say the president will continue to press hard for the ambitious agenda he laid out a year ago, much of which has encountered significant hurdles in Congress: an overhaul of health care and financial regulations, a new energy strategy that includes combating climate change, and a push for broader access to higher education, paid for by eliminating subsidies to private student lenders.

Business leaders, including many who advise the White House, say the administration has waited too long to address long-term economic growth and job creation, in part because it has been preoccupied with health care.

They also want to see more measures to spur trade, infrastructure development and lending to small and midsize businesses. Also, the tax credits to be promoted by the president Wednesday have been too long in the pipeline, they say.

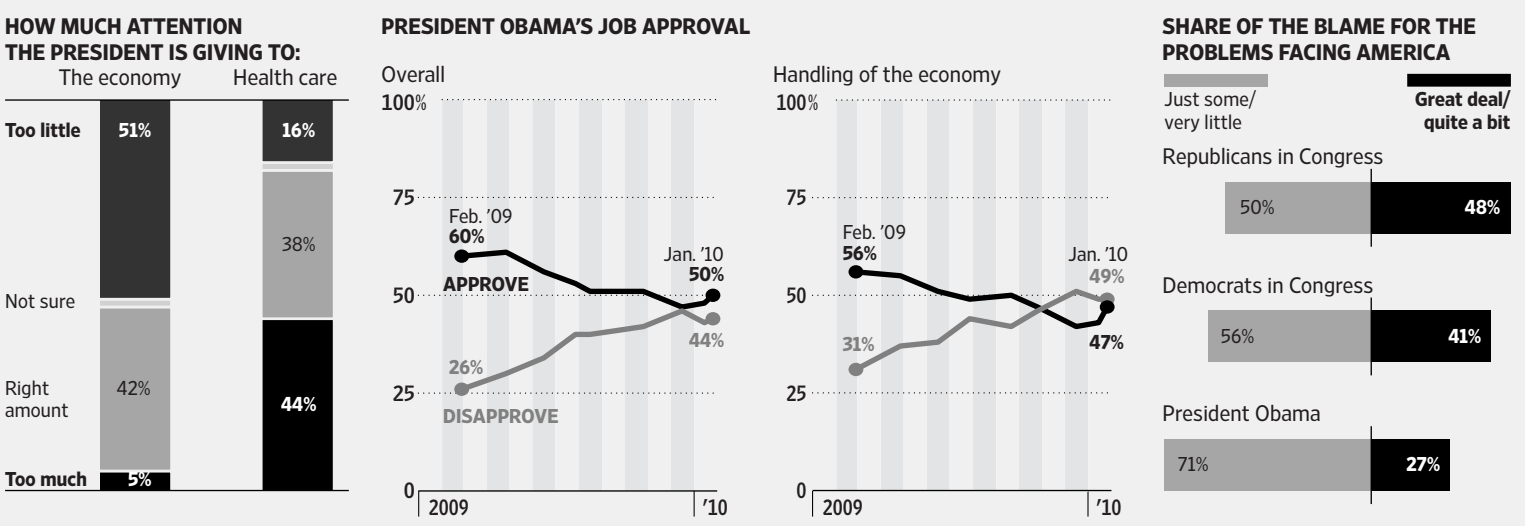
The president faces a tough prime-time audience—both on Capitol Hill and in the nation at large.

A year ago, in his first address to a joint session of Congress, Democrats were triumphant, Republicans were on the mat, and the nation was behind him. Now, Mr. Obama and his party are toiling in a less favorable environment.

The number of Americans who feel that the country is headed in the wrong direction has risen to 58%, the highest number since before Mr. Obama's inauguration.

Moreover, Mr. Obama's overall approval rating of 50% might look better than recent polls, but given the survey's margin of error, the new rating is statistically similar to his 47% approval in December.

All eyes on jobs | Americans focus on economy; president's standing improves slightly



Source: WSJ/NBC news telephone poll of 800 adults conducted Jan. 23–25; margin of error: +/–3.46 percentage points

WSJ.com

See full poll results, plus track changes in Obama's approval rating over time at **WSJ.com/US.**

Federal Reserve keeps rates near zero

Continued from first page

the economy is "likely to remain weak for a time." The remark had been in place since April 2009, and was changed to "the pace of economic recovery is likely to moderate for some time."

The FOMC also said economic activity has continued to "strengthen," slightly more upbeat than "pick up" in the December statement.

Despite the improved outlook, the central bank repeated a vow that the federal-funds rate would stay at a record low for an "extended period" in the face of high unemployment and low inflation.

Mr. Hoening believed the economic and financial conditions had changed enough that expectations of low rate levels was no longer warranted.

New York Federal Reserve Bank President William Dudley, the vice chairman of the FOMC, earlier this month said extended period should be read as at least six months.

With the economy gradually improving, the Fed said it plans to halt the purchases of $1.25 trillion in mortgage-backed securities and around $175 billion of agency debt by March 31.

The purchases have helped to drive down mortgage interest rates, providing an important boost to U.S. housing and financial markets.

At the last FOMC meeting in December, some officials argued the housing market might not be ready for an end to the MBS purchase plan and suggested keeping it in place or even expanding it. Signaling continued concerns over the recovery's sustainability, the Fed said it stood ready to change plans on the mortgage purchases and its liquidity programs if the economy worsens.

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WEALTH

Market for vanity plates grows despite hard economic times

Charity auctions attract individual drivers and companies that want more attention on Hong Kong's busy streets

(Top to bottom) Lam Thuy Vo/The Wall Street Journal; Laura Santini (2)/The Wall Street Journal

Jackie Rain above, adorns his Audi TTS with a vanity plate saluting Mr. Bean. Below left, Feng Shui master Gladys Mak shows off the vanity plate with an alternative spelling she purchased at auction. Below right, Vincent Wong with one of his company's minibuses and its vanity plate.

By Laura Santini

HONG KONG—Flashy cars are a common sight in Hong Kong, where passengers and pedestrians witness a daily pageant of boldly colored Mercedes-Benzes, Rolls Royces, Ferraris and Maseratis.

But Hong Kong resident Jackie Rain wanted something even more eye-catching than his orange Audi TTS: a license plate that reads "MR BEAN." About a year and a half ago, Mr. Rain paid 10,000 Hong Kong dollars, or US$1,290, for the plate at a public auction.

In a town that levies a 100% tax on luxury imported cars, auto enthusiasts readily pay sums in the thousands of dollars to accessorize their vehicles with vanity plates.

Ever since Hong Kong transport officials began auctioning vanity plates in 2006 to raise money for a government charity fund, the service has taken off. The process is a bit unusual: anyone wishing to buy a plate submits the proposal along with a US$645 minimum bid. Rival car owners who might fancy the same moniker, however, are free to offer more.

Not all plates draw competition. "WELCOME" and "PERFECT" both sold at an auction earlier this month for the minimum. But a more popular plate reading "FA" went for about US$18,000, apparently to a fan of English football. Another bidder sank nearly US$12,000 into a plate that read "STORAGE."

Like other luxury spending, auction proceeds have dropped since the financial turmoil that rocked the city's financial firms in late 2008. This month's auction, for instance, generated about US$281,000, down about 64% from the January 2008, auction, which took in around US$770,000.

Chinese lucky numbers also go for big figures, and the city has been auctioning lucky numbered plates for years. In the early 1990s, one Hong Kong tycoon paid a record US$1.68 million for the single-digit registration number "9," which in Chinese sounds like a word for longevity.

While vanity plates are also trendy in the U.S., Americans aren't accustomed to paying much for them, and the fees are generally determined by the state departments of motor vehicles.

Fees in California—which earmarks these revenues for various environmental, educational and other causes—amount to less than $100. In Virginia, drivers pay an extra $10 annually for the privilege of customizing a mark.

In Hong Kong, the popularity of vanity plates has spawned a lively secondary market, replete with so-called agents who offer to attend an auction on a bidder's behalf or ferret out specific tags already held by private car owners.

Calvin Ng, who works in the private wealth unit of a foreign investment bank, says he's been offered nearly US$4,800 for "BOWLING," which adorns his Audi sport car. He paid the standard US$645 fee for the plate, which, he says, reflects an obsession with the pastime since age 12. "It reminds me of all the great times I've had bowling with my friends," Mr. Ng says.

Still, the opportunity to earn an easy profit is difficult to resist, and he's thought about bidding for other marks for the purpose of reselling them later. "Nothing beats making money with no risk," Mr. Ng says.

Some Hong Kong companies have incorporated vanity plates into their marketing strategies, while others appear to link the plates to a mission or calling. The Hong Kong Monetary Authority provides its chief

Laura Santini/The Wall Street Journal

Calvin Ng picked his plate in honor of his favorite pastime. He paid the minimum but has been tempted by an offer from another driver to buy it.

executive with a car displaying the plate "AM 78," which, observers suspect, refers to the Hong Kong dollar's peg of 7.8 to one U.S. dollar.

Several years ago, the Wong family, which owns **AMS Public Transport Holdings** Ltd., a local minibus company, had representatives bid for plates that included the number "77," the company's trading code on the Hong Kong stock exchange.

Vincent Wong, whose father started the company in the 1970s, says the plates help differentiate the company's green-topped minibuses from competitors on the island.

Feng Shui master Gladys Mak's silver Porsche brandishes the phrase "FUNG SHUI." Ms. Mak says the more conventional spelling was taken so she substituted the "u" for an "e." The plate identifies her with her business, helping clients orient objects in their homes or work places to allow for optimal energy, or qi.

In this case, the plate's advantage is also its drawback, Ms. Mak says, as police can easily spot her car. While she doesn't mind other drivers staring at her, she says unwanted attention is the reason her husband doesn't like to drive her car.

For some, a personalized plate serves as a token of love. One couple paid US$3,870 for "XXEE." The "XX" stands for "kiss, kiss," while the "EE" refers to the nickname "eagle eyes" that Ricki Leung gave her boyfriend, Clem, for his ability to "notice things too easily."

After scoring the plate at the Saturday auction, Ms. Leung said she was on her way to a nearby car dealership to pick out her new car. At that point, she was vacillating between a Mercedes and Land Rover.

—Lam Thuy Vo contributed to this article.

WSJ.com

Online today: Ever since Hong Kong transport officials began auctioning vanity plates in 2006, the service has taken off. Photos at **wsj.com/asia**. And Laura Santini reports at **wsj.com/video.**

In a town that levies a 100% tax on luxury imported cars, auto enthusiasts pay sums in the thousands of dollars to accessorize their vehicles with vanity plates. Their popularity has spawned a lively secondary market, replete with so-called agents who offer to attend an auction on a bidder's behalf or ferret out specific tags already held by private car owners.

Black Dragon banknote sells for record at auction

By Duncan Mavin

China's currency has drawn the wrath of Western politicians, but a particular one-yuan note received altogether more welcome attention at auction in Hong Kong this week.

The rare bill—a Black Dragon, or "Ooi-Long," note from 1909—wowed collectors at a packed auction room in the **Landmark Mandarin Oriental** hotel, as two determined collectors upped the winning bid to an exchange-rate-defying 990,000 Hong Kong dollars (about US$127,000).

The sum paid by the new Taiwanese owner is believed to be a record for a Chinese banknote, according to Barnaby Faull of auctioneers Spink, who also says that interest in rare Chinese notes has grown rapidly in recent years.

In all, nearly HK$11 million of rare notes, coins, stamps and bonds were sold at the Spink auction.

"The room was heaving," Mr. Faull said. "In the last six months to a year, the Chinese note market has taken off. Today, [auctioneers] really want a Chinese note to come up for sale."

The century-old Ooi-Long note features two black dragons, said to signify the prowess of the Chinese emperor. It was issued by the Qing dynasty Kwangsi bank and printed in Japan with an original run of 100,000 notes . The notes were recalled after China's banking system was restructured in 1911, and only three examples of the one-yuan bill are known to collectors today. The Ooi-Long note's value among Chinese collectors is also thought to be higher because it is one of the few examples of a banknote issued by a Chinese bank during a period when much of the currency used in the region was issued by European banks.

The previous record auction price for a Chinese bill is believed to have been HK$160,000 set in 2009.

Spink

This one-yuan Black Dragon banknote from 1909 sold at auction for about $127,000.

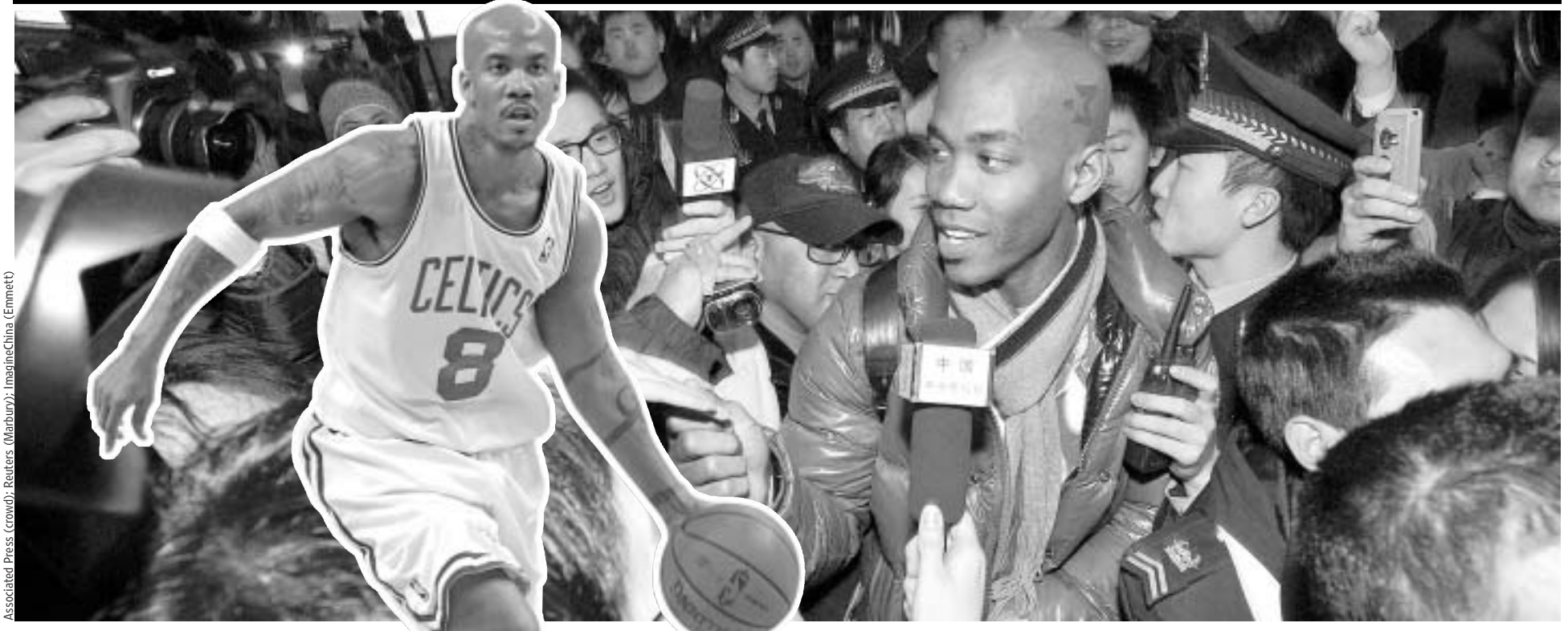
The market for collectible Chinese notes still lags that in the West—European bank notes regularly fetch tens of thousands of dollars at auction and bidding for rare U.S. notes has seen some items go for millions of dollars.

The world record price for a banknote is US$2,255,000 paid in a private transaction in December 2006 for a $1,000 bill from 1890 known as the "Grand Watermelon" because the zeros resemble the large fruit.

But auctioneers expect the Chinese market to pick up rapidly, especially as wealthy collectors look to repatriate collectible Chinese banknotes currently held in Western collections.

Mr. Faull said the price paid for the Black Dragon note was two or three times what the auction house had expected, as the winning Taiwanese collector had to beat away stiff competition from another bidder, believed to have been from the Chinese mainland.

SPORTS



Associated Press (crowd); Reuters (Marbury); ImagineChina (Emmett)

Starbury takes his game to China

Former NBA star hopes move to Shanxi proves a killer crossover

By Loretta Chao

TAIYUAN, China—His New York fans may have deserted him, but Stephon Marbury is already winning new friends in this grimy coal town in northern China.

"Ma Bu Li", as he's now known, on Wednesday launched an unlikely career with the Taiyuan Shanxi Zhongyu Professional Basketball Club, one of the worst teams in the league. He'll be the biggest U.S. **National Basketball Association** star ever to play professional basketball in China.

Back home, Mr. Marbury's runins with coaches and teammates at the New York Knicks and other teams battered his reputation. After terminating his contract in New York early last year, Mr. Marbury played briefly for the Boston Celtics, and according to Zhongyu he accepted an offer to move to China after he didn't receive any further satisfactory offers within the NBA.

But his fallout with the Knicks wasn't nearly as publicized in China as in the U.S. Though die-hard Chinese fans say they are well aware that he has had less playing time in recent years, Mr. Marbury's reputation as a top-notch point guard is still relatively untarnished here.

The 32-year-old has already set up a micro-blogging account on one of China's most popular Internet portals, **Sina.com**, and posted a greeting to Chinese fans on Tuesday, attracting more than 4,000 subscribers within hours. One user posting under the name JohnLee7125 wrote a response to Mr. Marbury that said: "I think you can do better in China, because we love you."

Mr. Marbury is hardly a China hand. "I really didn't know that much about China, other than what I've seen on TV" reports about Chinese NBA star Yao Ming, Mr. Marbury told reporters Tuesday night when he arrived at his hotel.

"I thought this was the right place to be."

On Wednesday, Mr. Marbury turned out for the first time with his new team at a game. Although he didn't play, at halftime he appeared on court dressed in a designer down jacket to present gift bags to a group of children.

Chinese reporters ran onto the court and mobbed him so that nobody in the audience could actually see him. But there were loud cheers nonetheless.

Li Fei, a 21-year-old college student, said that with Mr. Marbury on the team "it injects more excitement into the game." Mr. Li said: "I've always been his fan. I know he's a selfish player, and he doesn't like to pass, but that doesn't change the fact that he's a great player. It's beautiful to watch."

Still, it's hard to say how this marriage will work out.

Taiyuan is the capital of China's Shanxi province and the center of China's coal-mining industry.

The whole city is covered in a thin layer of coal dust, including Zhongyu's Binhe Sports Stadium, which seats about 4,500 people, less than a fourth the capacity of New York's Madison Square Garden, where Mr. Marbury played from 2004 to 2008. Courtside seats in the arena, which run about $1,464 a season, are a collection of worn red sofas and lounge chairs.

Bloomberg News

Stephon Marbury plans to use his move to China promote his signature Starbury line of shoes and apparel, featuring low-cost sneakers for $15.

Taiyuan is markedly less tourist-friendly, internationalized and cosmopolitan than bustling cities such as Beijing and Shanghai. It's hard to find a bank automated teller machine that will accept foreign credit cards.

"If he lasts 10 days, I'll be amazed," says Bruce O'Neil, president of the U.S. Basketball Academy, which trains young American players to be drafted by Chinese teams. "The culture shock is tremendous."

Both sides badly need this to work out. Zhongyu is one of the worst-performing teams in the **Chinese Basketball Association** this season, ranking 15th out of 17 teams. It will actually need to win 15 of its next 17 games in order to make the CBA playoffs.

Mr. Marbury, a two-time NBA All-Star whose talent at the point guard position propelled him to early fame, has traded the NBA's renowned seven- and eight-figure salaries to make a fraction of that in China.

Zhongyu hasn't disclosed exactly how much Mr. Marbury will be paid, but it said the state-run Chinese Basketball Association limits each team to two foreign players who are allowed to earn a combined $60,000 a month—chump change by NBA standards. Zhongyu already has two foreign players, one of whom will be let go to make way for Mr. Marbury, according to the team's coach, Wu Qinglong.

Mr. Marbury, though, isn't playing in China for the salary. He's here to promote his shoe and apparel brand, called Starbury after his nickname, featuring low-cost sneakers for $15. The market is potentially huge: The NBA estimates that 300 million people play basketball in China.

His new employer, Zhongyu owner Wang Xingjiang, is an iron and steel mogul and basketball fanatic who made Forbes magazine's list of 400 richest Chinese in 2008. At the time, his net worth was estimated to be $260 million.

Mr. Wang says he watches the NBA and wanted Mr. Marbury because "we needed someone to play that position."

When things don't work out with foreign players, it's because "a lot of things aren't easy to communicate to [foreign players]. It's not because they're difficult to manage, it's because they aren't used to their surroundings. Sometimes they consider the accommodations to be somewhat backward compared to what they're used to."

Wang Jianguang, a spokesman for Zhongyu, said the team has hired an interpreter for Mr. Marbury to help with his adjustment, but the team expects Mr. Marbury to be at all of its twice-a-day practices, which start at 9 a.m. six days a week.

Stephon Marbury

- Born Feb. 20, 1977, in Brooklyn, N.Y.
- 6 feet, 2 inches tall, 205 lbs.
- Drafted fourth overall in the 1996 NBA draft by the Milwaukee Bucks, traded the same day to the Minnesota Timberwolves.
- Traded to New York Knicks in 2004 in a nine-player deal
- Waived by Knicks in February 2009, after a nearly three-month ban, signed three days later with Boston Celtics, where he played 23 games then declined a one-year contract offer for $1.3 million
- Averaged 19.3 points per game over a 13-year NBA career (65th all time) and 7.6 assists per game (15th all time)

Source: WSJ reporting

Valuable visitors

Top 10 scorers in the Chinese Basketball Association through 15 games

Player	Nationality	Team	Points per game
Andre Emmett	U.S.	Shandong Lions	33.7
Charles Gaines	U.S.	Xinjiang Flying Tigers	29.9
Rodney White	U.S.	Zhejiang Guangsha Lions	29.6
Corsley Edwards	U.S.	Shaanxi Dongshen Kylins	29.3
Herve Lamizana	Ivory Coast	Tianjin Rongcheng	27.5
Marcus Williams	U.S.	Zhejiang Wanma Cyclones	26.8
Leon Rodgers	U.S.	Jilin Northeast Tigers	26.7
John Lucas	U.S.	Shanghai Dongfang Sharks	25.6
James Mays	U.S.	Shougang Beijing Ducks	25.4
Tim Pickett	U.S.	Shaanxi Dongshen Kylins	25.4

Source: CBA

Former NBA all-star Stephon Marbury, playing for the Celtics above left, was met by a crush of media upon his arrival in Taiyuan in north China's Shanxi province on Tuesday, above. Andre Emmett, left, is the Chinese Basketball Association's top scorer.

The Obama Fisc

Meet President Obama 2.0. Unlike the 2009 version, this 2010 update isn't the spender who has sent the federal deficit to levels unseen since World War II. This new fellow is a fiscal conservative, and Americans will see this major new talent perform Wednesday night as he delivers his State of the Union address.

Whether or not Americans choose to believe him, there's no denying the fiscal reality created by the rollout version of President Obama last year, as detailed in the Congressional Budget Office report released Tuesday. For the second year in a row, fiscal 2010 will see a trillion-dollar deficit—an estimated $1.35 trillion, or 9.2% of GDP, which is down slightly from last year's post-World War II record of 9.9%.

Mr. Obama did inherit a recession, which is partly responsible for this ocean of red ink. The slow pace of economic recovery has contributed to a collapse in revenues, down to 14.8% of GDP in 2009 and an estimated 14.9% this year. That's well below the modern historical average of about 18.1%, and it is a reminder that economic growth is the most important contributor to smaller deficits. Had last year's "stimulus" worked half as well as the White House advertised, these deficits wouldn't be as large.

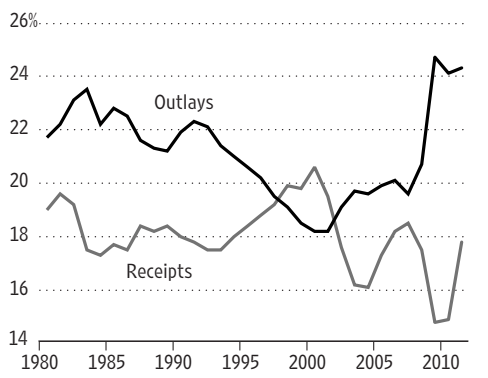
But as the nearby chart shows, Mr. Obama's major contribution to deficits has been a record spending spree. In 2007, before the recession, federal expenditures reached $2.73 trillion. By 2009 expenditures had climbed to $3.52 trillion. In 2009 alone, overall federal spending rose 18%, or $536 billion. Throw in a $65 billion reduction in debt service costs due to low interest rates, and the overall spending increase was 22%.

In one year.

CBO confirms that Democrats have taken federal spending to a new and higher plateau: 24.7% of GDP in 2009, 24.1% this year, and back to an estimated 24.3% in 2011. The modern historical average is about 20.5%, and less than that if you exclude the Reagan defense buildup of the 1980s that helped to win the Cold War.

A New Spending Plateau

Federal receipts and outlays as a share of GDP, 1980-2009, with latest estimates for 2010 and 2011



Source: Congressional Budget Office

This means that one of every four dollars produced by the sweat of American private labor is now taxed and redistributed by 535 men and women in Congress.

The slight deficit improvement for 2010 isn't due to any spending restraint. The feds will get a $218 billion windfall from reduced spending on TARP bailout cash, plus $27 billion in reduced deposit insurance outlays. All of that money and more is going right out the door again in $112 billion more in so far unspent stimulus, a 7% increase in nondefense discretionary spending, 6% more for Medicare and 11% more for Medicaid.

Compared to this gusher, Mr. Obama's touted spending freeze for some domestic agencies is the politics of gesture. It would apply to only 17% of the budget, and these programs have already had a 22% increase in their annual appropriations in the past two years, and another 25% increase including stimulus.

As for the deficit, CBO shows that over the first three years of the Obama Presidency, 2009-2011, the federal government will borrow an estimated $3.7 trillion. That is more than the entire accumulated national debt for the first 225 years of U.S. history. By 2019, the interest payments on this debt will be larger than the budget for education, roads and all other nondefense discretionary spending.

If this borrowing were financing defense investments or tax rate reductions to spur the U.S. economy, we wouldn't be worried. But most of this money is going to transfer payments to individuals, or subsidies to home buyers and inefficient businesses that do little for wealth creation.

As it always does, CBO forecasts that deficits will decline in the later years of its 10-year budget window. But this forecast depends on assumptions about Congress so fanciful that James Cameron couldn't make them up. CBO projects that all of the Bush tax cuts will expire in 2011—even those for the middle class—and that the Alternative Minimum Tax will hit more than 30 million mostly middle-class families over the next decade. Democrats say neither will happen.

If the middle-class tax cuts remain, the AMT doesn't soak the middle class and spending grows at its historic norm, then CBO concedes "the deficit in 2020 would be nearly the same, historically large, share of GDP that it is today and the debt held by the public would equal nearly 100% of GDP." Buongiorno, Italia.

Oh, and none of this includes a penny for ObamaCare.

* * *

The tragedy is that Mr. Obama's fiscal conversion is coming a year too late, assuming it is now real. If the President and his party really are serious, they can do more than promise a spending freeze after 2012. They can stop spending more now: Drop the health-care bill, cancel the unspent stimulus spending from last year, kill the $150 billion new stimulus that has already passed the House, and bar all repaid bailout cash from being re-spent. Everything else is marketing.

A Fannie and Freddie Earmark

U.S. taxpayers may look at the unlimited federal credit line now enjoyed by Fannie Mae and Freddie Mac and see disaster. But New York Senator Chuck Schumer sees opportunity.

Tuesday he demanded that the two failed mortgage giants guarantee low rent for tenants in a Manhattan property they now own after the owner defaulted. As they say in Democratic Washington, a crisis is a terrible thing to waste.

Recently we told you about the Treasury's Christmas Eve announcement that after chewing through $111 billion from taxpayers, Fan and Fred can now consume an unlimited amount of cash from the U.S. Treasury. The companies have been losing billions each quarter to serve President Obama's political goal of modifying troubled mortgages. They can lose still more by serving Mr. Schumer.

In truth, they already are. The New York lawmaker has pioneered the use of the Fannie and Freddie earmark, having successfully pressured Fannie to sell another property in the Bronx to an affordable housing group. But his appetite is growing for taxpayer cash to dole out to his constituents. Whereas the Bronx housing complex was worth a mere $29 million, Fan and Fred's interest in the mammoth Stuyvesant Town complex in Manhattan could run into the billions.

The New York Observer quotes Mr. Schumer saying that after Stuyvesant Town's owners defaulted, "Now Fannie and Freddie must guide this process to a conclusion with the least amount of impact on current tenants and families. I am going to watch them like a hawk to make sure they do just that."

While Mr. Schumer seems to have developed a nice racket, we can't help but wonder if Fan and Fred own any properties in the state of Nebraska. Can Senator Ben Nelson perhaps get a piece of this action?

Don't Drink the Milk

The last time China's consumers were sold tainted milk, six babies died and nearly 300,000 were sickened in 2008. So it's more than disturbing to see the same trends repeat themselves. At least this time no one has died, that we know of.

China's food-safety fixes aren't working.

The current scandal broke on New Year's Eve, when state media reported the closure of Shanghai Panda Dairy. The company allegedly distributed milk products containing melamine, a toxic industrial chemical that mimics protein on nutritional-content tests. The chances of accidental contamination are remote. It has since emerged that several other dairies may have sold contaminated milk products at around the same time. Several executives reportedly have been arrested.

This kind of contamination should never have happened, but especially not after the 2008 incident. In that case, Shijiazhuang Sanlu Group and nearly two dozen other companies distributed infant milk powder contaminated with melamine. The deaths and widespread sickness exposed endemic quality and safety failures in China's dairy industry. It also highlighted the Communist Party's role: Sanlu had been partly owned by the local government (the company has since gone bankrupt) and its chairwoman was the Party's board representative. A recall was delayed for weeks to avoid negative publicity ahead of the August 2008 Olympics.

Beijing did take action after Sanlu. A food-safety law approved in June stiffened penalties. Several farmers connected to the case were executed, and the chairwoman was sentenced to life in prison. The central government also launched a dairy industry consolidation, on the theory that small farmers' paper-thin profit margins tempted them to cut corners.

But those steps largely missed the point. There were already harsh legal penalties on the books. As long as individuals think there's a relatively low chance they'll ever get caught, even the stiffest penalty won't be much of a deterrent. Shanghai Panda was caught selling tainted milk in 2008, too. Some of the milk in the latest case appears to have come from contaminated milk powder that was supposed to have been destroyed back then but was instead reused.

The most worrying aspect of the latest case is that authorities still seem not to understand the link between transparency and safety. Authorities first discovered the contamination at Panda as early as February 2009, but for reasons that remain unclear only made that information public on New Year's Eve. Transparency is critical because it threatens wrongdoers with embarrassing exposure and alerts consumers to danger.

Maintaining food safety is complicated in the best of circumstances—even the United States has occasional lapses. It would be unreasonable to expect China to fix its serious problems overnight. But when scandals start repeating, that's a warning that Beijing's safety fix isn't working.

OPINION

The Stimulus Japan Really Needs

[Business Asia]

By Nicholas Benes

Tokyo

The warning Tuesday from Standard & Poor's that it may cut Japan's government credit rating is just the latest sign of growing unease about the country's economic health. S&P noted in particular that a downgrade could come if "measures to boost medium-term growth are not forthcoming."

Unfortunately, Tokyo doesn't yet have an economic plan that will do that kind of boosting. The Democratic Party of Japan administration, in office for only a few months, has released the outline of a 10-year growth strategy, and the next fiscal year's budget may include additional stimulus measures. But the DPJ's approach to spurring growth is depressingly similar to the preceding Liberal Democratic Party's methods.

Prime Minister Yukio Hatoyama and his DPJ government need to tackle the many hurdles that stand in the way of the businesses that can generate growth and a larger tax base: the businesses investing for the future. Instead of favoring certain industries like manufacturing exporters, green technology or health care, Tokyo should craft policies that will help a wide range of businesses. For just one example of how to do it, look at an arcane aspect of tax law that has a huge impact on investment flows in every industry: the tax-loss carry-forward period allowed for companies to recoup tax benefits on operating losses.

Tax-loss carry-forwards allow a company to deduct operating losses accrued in the early years of large investment from profits in future years. Imagine, for instance, a small biotech or pharmaceutical company developing a new drug. It may lose money during the years when it is carrying out expensive research and development, but will earn significant profits once the drug is launched. Tax-loss carry-forwards reward that investment by allowing the company to apply its R&D-induced loss to the first years of its profitability—subtracting the amount of the earlier loss from the subsequent profit so as to reduce taxable profits.

This doesn't mean companies get off tax-free. They still pay payroll tax, and the employees they hire pay income taxes. They will pay corporate tax on all of their profits. The carry-forward just ensures equal tax treatment for companies that are not large and diversified and therefore lack other current profit sources that can "absorb" the loss immediately. Often such firms are venture businesses, growth firms or foreign companies—the type of companies that struggle the most in Japan today.

The time horizon matters. Emerging high-tech fields like biotechnology, pharmaceuticals or Internet businesses might take years of investment to turn their first profit. In industries ranging from insurance to retailing, it can take many years of huge investment and marketing expenses to build enough scale to turn profitable. Being in a low-growth developed economy lengthens the time before companies can expect to reap returns on their investments. The United States and Canada allow companies to carry forward operating losses for up to 20 years, while Britain, Ireland and Germany apply no cap at all or a very gradual phase-out.

Supply-side tax reforms would spur business investment in high-tech industries that create jobs.

Japan, however, allows companies to carry forward tax losses for only seven years. This made sense 40 or more years ago when Japan's economic "miracle" was in full swing. In a fast-growth, low-cost developing economy, investments can start generating profits relatively quickly. Economies like China or Thailand are thriving despite tax-loss carry-forward periods as short as five years. But Japan's old approach no longer works for many of the new industries and companies that it most needs.

While various Tokyo stimulus plans have purported to work toward business-friendly taxation, these have generally missed the point. Narrowly focused tax deductions and tax credits for selected industries either result in misallocation of resources (if policy makers favor an industry in which the country doesn't have a natural competitive advantage), or just aren't very effective. Special tax benefits mean little to a growth company, new entrant or any other firm that is still in the red, because the company is not paying any tax in that year, and may not for many more years.

Japanese businesses and foreign investors need genuine supply-side tax reforms that are applied across the board. Policy makers should also consider options such as making taxation of mergers and acquisitions less burdensome and more predictable. This would encourage badly needed consolidation and a more vibrant market for corporate control. Increasing the consumption tax rate from the present 5% would also have a beneficial supply-side impact, by stimulating price competition and accelerating the closure of marginal competitors that never pay corporate profit tax at all. Tax policies that were adequate for the Japan of the 1960s no longer work as well in the Japan of 2010.

The Ministry of Finance is dead-set against extending the tax-loss carry-forward period, or most other supply-side tax reforms. Bureaucrats and politicians alike worry too much about possible short-term revenue losses and not enough about the increased revenues that would come from a stronger economy. Only political leadership from Mr. Hatoyama and his cabinet will change this. For a government eager to distinguish itself from its predecessors, tax reforms that are truly stimulative and also expand the future tax base would be the perfect place to start.

Mr. Benes is president of JTP Corporation, which provides mergers and acquisitions advisory services in Japan.

India's Groupthink on Islam

By Sadanand Dhume

Jaipur

If you're looking for a defining image from the fifth Jaipur Literature Festival, which ended Monday, there are plenty to choose from: laughter rippling across the front lawns of the Diggi Palace hotel as Alexander McCall Smith recalled the travails of his fictional female detective from Botswana, an electric evening performance by the Tamil singer Susheela Raman, a moving speech on the power of literature by the Scottish novelist Andrew O'Hagan. But none was as arresting as the unannounced (for security reasons) appearance of the controversial Dutch-Somali writer and activist Ayaan Hirsi Ali.

Ayaan Hirsi Ali's talk at the Jaipur Literature Festival shows how globalization is changing the debate.

Speaking to a packed hall, with her burly bodyguard unobtrusively off-stage, Ms. Hirsi Ali spoke about Islam—and its problems with individualism, women's rights and sexuality—with a frankness unfamiliar to most Indians. She described the faith she was born into as "a dangerous, totalitarian ideology masquerading as a religion." She argued against the moral relativism that has prevented Western intellectuals from scrutinizing Islam as they do Christianity and Judaism. She asked why it seemed impossible to have a sober discussion about the Koran and the sayings of the Prophet Muhammad without riling Muslim sentiment, and made the case for bringing the Enlightenment to the blighted lands of the Middle East and Muslim South Asia. Ms. Hirsi Ali touched upon India only briefly, to contrast the country's success with the dismal state of neighboring Muslim-majority Pakistan.

But her very presence in Jaipur speaks of the ways in which India, home to 150 million Muslims, is slowly starting to grapple with the faith. As India grows wealthier and more integrated with the rest of the world, the call-center worker with the American accent and the farmer with the cell phone have become the most common symbols of how much the nation has changed since it began opening its economy nearly 20 years ago. But the Jaipur festival suggests other, less obvious, ways in which globalization has begun to impact a country long dominated by the kind of groupthink fostered by decades of socialism.

The Indian debate about Islam has remained frozen in a time warp. The mainstream intellectuals who dominate the country's editorial pages and television channels tend to trace the Muslim world's problems almost exclusively to the alleged misdeeds of Israel and the United States. The Hindu right doesn't make this mistake, but its tendency to group all Muslims together, its inability to distinguish between Islam as a religion and Islamism as an ideology, and its championing of causes important to the most orthodox Hindu believers shades into bigotry and religious chauvinism.

Teamwork

Ayaan Hirsi Ali at the Jaipur Literature Festival.

In Jaipur, Ms. Hirsi Ali challenged the assumptions of both groups. She was flatly unapologetic about her views on Islamic theology, but at the same time she urged the audience to think of Muslims as "individuals who are capable of changing their mind."

Nor was Ms. Hirsi Ali the only writer at the festival—studded with some of the world's most prominent experts on Islam—to challenge the mainstream Indian narrative. Tunku Varadarajan of the Daily Beast Web site talked of Arab-Muslim societies with "terrible rulers and terrible oppositions, squeezed between despots and fanatical Islamists." Max Rodenbeck of the Economist described Lebanon as "fragmented according to which conspiracy theory you subscribe to." Lawrence Wright, a writer for the New Yorker and author of "The Looming Tower" a widely read book on al Qaeda, answered an often-asked question about American aggression by pointing out that "Islam is under attack from the West in part because it attacked the West." Steve Coll—whose books on the genesis of global jihadism in what has come to be called AfPak and on Saudi Arabia's second most famous family are among the definitive works on either subject—calmly and carefully untangled a web linking zealous Saudi royals, Pakistani intelligence agents and tribal warlords in Afghanistan.

Predictably, the audience response was at times slightly hostile. While the reaction to Ms. Hirsi Ali's talk was polite—as though people were still digesting her message—and questions were restrained, not all listeners were so tolerant. A young Kashmiri Muslim man accused a panel that discussed the Arab-Muslim penchant for conspiracy theories of "promoting stereotypes," and being "spokespersons for the mainstream media." A professor of history at Delhi University said he would "defy anyone with the slightest sense of justice" to say what was happening in Palestine was "fair." Javed Akhtar, a prominent writer of Bollywood lyrics, declared that "all Islamic fanaticism and fundamentalism is nurtured by the U.S.A.," and accused the U.S. government of deliberately hiding the "fact" that Osama bin Laden was dead.

In the end though, Jaipur marked a small step toward the slow but inexorable knitting of India into the mainstream of global discourse on a sensitive subject. A clutch of books by Indian authors that take a critical look at Islam and Islamism are also contributing to this trend. It's easier to start using a cell phone than to change a mindset, but over time Indian audiences are likely to begin demanding the same sophistication from their intellectuals that they do from their phone service providers.

Mr. Dhume, the author of "My Friend the Fanatic: Travels with a Radical Islamist" (Skyhorse Publishing, 2009), is writing a nonfiction book on the impact of globalization on India.

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OPINION

START-ing Without China

By Gordon G. Chang

On Sunday, Russian President Dmitry Medvedev told reporters his country was close to agreement with the United States on extending the landmark Strategic Arms Reduction Treaty, better known as START I, which expired in early December. Whatever one thinks of the proposed arrangement, there is a fundamental problem: China will not be a party to the deal.

As Beijing is fond of saying, we live in a multipolar world. If that is true, then bilateral-weapons agreements are out-of-date. Yet the Chinese, when it comes to arms-reduction matters, play the count-me-out card, even though they are supposed to dominate this century. Their position is that they will talk about limiting their strategic weapons only after the U.S. and Russia have in fact reduced theirs.

Disarmament talks between the United States and Russia should include Beijing.

When Washington and Moscow each had tens of thousands of nukes and China only had dozens, that position was sensible. But START II will reduce American and Russian arsenals to the point where China's weapons become a factor in the global strategic balance. That will be especially true if that agreement ends up limiting weapons to the lower ranges that have been disclosed by the Russians: 1,500 operational warheads and 500 launchers for each nation.

How big is China's arsenal? Beijing, sticking to its long-held policy of ambiguity, is not telling. Western analysts have been guessing, with wildly divergent assessments. Older estimates had put the number at around 400, though the current consensus is much lower. The highly respected Federation of American Scientists, for instance, believes the People's Liberation Army now has 240 nuclear devices, of which 180 are strategic in nature.

Yet the smaller numbers are probably way off. For one thing, the lower estimates do not take into account the possibility that China loaded its older DF-5 missiles with multiple warheads, something the Pentagon alluded to in 2003. If half of China's 30 or so DF-5s carry between seven to 10 newly miniaturized warheads as some analysts believe, that's 105 to 150 weapons for that missile class alone.

Moreover, the lower estimates mean the Chinese have expanded their nuclear forces at a much slower pace than their conventional ones. Yet if there has been one thing we have seen recently, China has consistently surprised us with its advances in military capabilities. As Admiral Robert Willard, commander of the U.S. Pacific Command, noted in October, "In the past decade or so, China has exceeded most of our intelligence estimates of their military capability and capacity every year."

ChinaFotoPress/Newscom

The Communist Party's latest and greatest.

However many warheads the Chinese possess at this moment, it's clear they have substantially upgraded the capability of their nuclear missiles in recent years. Last October, at its massive National Day parade in Beijing, China rolled out ballistic missiles of the Second Artillery Force, the country's "core force of strategic deterrence."

The most noticeable feature of these weapons, which official media describe as China's "trump card," is that they were carried on mobile launchers, thus making them survivable in the event of an attack on Chinese soil. This gives Beijing a critical second-strike capability, which is not only a powerful deterrent but also a temptation to launch a first strike on a non-nuclear state. Although Chinese leaders have maintained a no-first-use policy and promise not to launch nuclear weapons against non-nuclear states, they are the only people in history who have threatened to nuke territory they consider their own, specifically non-nuclear Taiwan.

The People's Liberation Army, characteristically, did not show all its new missiles on National Day. Not displayed were the JL-2 submarine-launched missile and a new land-based one that might carry more than 10 warheads. As China military analyst Richard Fisher points out, the latter weapon potentially gives Beijing the ability to reach parity with the U.S., especially if President Obama, who favors complete disarmament, reduces American warheads to the much-discussed 1,000-level.

Are any arsenal reductions a good idea at this time? Last week, Defense Secretary Robert Gates said Washington would like to hold regular and comprehensive discussions with Beijing about its nuclear weapons program. The call came after U.S. officials met recently with their Chinese counterparts to discuss strategic matters. China's representatives, as they have in the past, firmly rebuffed the American attempt.

"That kind of dialogue with China would be most productive and frankly in the best interests of global stability," Mr. Gates said, after noting the benefits of similar interchanges with the Soviet Union over strategic arms.

So if the Chinese are not willing to talk with the U.S. about their nuclear weapons, how can the U.S. sign START II with Russia? Because we only have the vaguest idea about the size and capabilities of the Chinese arsenal, we do not know how many weapons we really need to deter an attack on the U.S. and our allies.

A global reduction of nukes and launchers may be a good thing, but China, which appears to possess the third largest stockpile of nukes and is the only major power increasing its arsenal, needs to be a part of any deal. So let's stop the START talks until all parties are at the negotiating table. This is not just about America and Russia anymore.

Mr. Chang is the author of "The Coming Collapse of China" (Random House, 2001).

Global Rebalancing Is America's Job, Too

By Stephen S. Roach

Once again, a troubled world is taking out its frustrations on China. In recent months, the United States has imposed trade sanctions on Chinese tires, coated paper products and steel piping and grating. The European Union has done the same with respect to several steel products, sodium gluconate and aluminum road wheels. Perhaps most significantly, there are renewed calls around the world for a major appreciation of China's currency—and a threat of additional trade sanctions if China doesn't comply.

These pressures have not come out of thin air. With unemployment rates at 10% in both the U.S. and Europe, an unbalanced world feels squeezed by China's massive current account and trade surpluses. From 2006 to 2008, China's current-account surplus averaged 10% of its GDP—compared to the 2% surplus of 2001-03. Tensions between the U.S. and China will undoubtedly be complicated by the mid-term congressional election in November, which could tempt China-bashing politicians to mount their soapboxes.

Yet it never makes sense to focus on one country's imbalance. For every surplus, there must be a deficit on the other side of the ledger. The U.S. stands out on the deficit side of the global imbalance equation, with a current-account shortfall that peaked at a record of 6% of GDP in 2006, while averaging 5% over 2001-08. In this context, China can hardly be chastised as the only stumbling block in the post-crisis global rebalancing debate. Progress can't occur without adjustments by both China and the U.S.

The prognosis for America is hardly encouraging in this regard. With an unprecedented shortfall of domestic saving, it has come to rely heavily on surplus saving from abroad to fund economic growth. It must run massive current account deficits to attract that capital. Despite a recent cyclical narrowing of U.S. current account and trade deficits, the underlying trend is not encouraging. In an era of trillion-dollar budget deficits, it is hard to be sanguine about the outlook for America's saving and current account imbalances.

At the same time, there is good reason to believe that China "gets it"—and is about to take dramatic steps to rebalance its economy. The Great Recession of 2008-09 was a devastating shock to China's export-led growth model. Reflecting a precipitous plunge in external demand arising from a rare synchronous recession in the developed world, the Chinese export sector quickly went from boom to bust. Year-over-year export comparisons swung from +26% in July 2008 to -27% by February 2009. This pushed Chinese GDP growth to a near standstill in late 2008 (as calculated on a quarter-to-quarter basis) and caused more than 20 million migrant workers to lose their jobs in export-led Guangdong province.

Chinese policy makers believe this leaves them with little choice other than to shift the sources of GDP growth from external to internal markets. China's upcoming 12th Five-Year Plan, to be enacted in early 2011, likely will contain major pro-consumption initiatives—especially with respect to the social safety net, support to rural incomes and a blueprint for the development of large-scale consumer-services industries.

Bashing China for economic imbalances only diverts attention from more serious problems.

If China delivers, the consumption share of its GDP could rise from the current rock-bottom level of 35% toward 45% by 2016. As Chinese consumption takes on an increasingly greater role in driving the overall economy, surplus saving will diminish—with the potential to cut China's current account surplus in half over the next five years.

In the end, this is what should matter most to an unbalanced world—the willingness of China to embark on the heavy lifting of its own rebalancing and contribute its fair share to the resolution of global imbalances. How China goes about that task is very much its own business.

The debate is whether China can advance such a rebalancing through pro-consumption measures that are faster and more effective than the circuitous currency-revaluation "solution" preferred by the West. Facing down pressure for a revaluation would be in China's best interest because there aren't any guarantees that currency adjustments actually work. After all, changes in exchange rates failed to correct imbalances in Japan in the 1980s, those in developing Asia in the 1990s, and current account deficits in the U.S. in recent years.

Moreover, China has long stressed that it views the stability of the yuan as critical to the stability of its embryonic financial system. It's hard to argue with that logic, especially if China offers a credible alternative for reducing its current-account surplus. China, of course, will continue to face the consequences of its currency policy—especially the destabilizing surge of foreign exchange reserves as foreign capital floods in. But again, this is China's choice—and one it has proved to be very adept at managing over the past decade.

All nations need to accept responsibility for global rebalancing. It would be the height of folly to try to force China into a counter-productive approach of tampering with its exchange rate—especially since it appears to be taking its own rebalancing agenda very seriously. Paradoxically, there is good reason to be more optimistic about China than America when assessing rebalancing prospects in the years ahead. The West, namely the U.S., needs to take a long hard look in the mirror and face up to its own imbalances. Hypocrisy is not a recipe for global statesmanship.

Mr. Roach is chairman of Morgan Stanley Asia and author of "The Next Asia" (Wiley, 2009).

Pepper . . . and Salt

THE WALL STREET JOURNAL

"It appeals to pride, greed, lust, sloth and envy, but we're looking for gluttony and avarice."

IN DEPTH

Toyota problems raise quality questions

Continued from first page
loathed in Japan.

The recall raises questions about whether its hunt for both market dominance and profitability prompted the quality issues. "It's not inconceivable that their belt-tightening has had an effect on this," said Chris Richter, auto analyst at CLSA Asia-Pacific Markets. "And because global car makers are having more models built on a single platform, any problem with one car will be in a lot of models."

Kurt Sanger, auto analyst at Deutsche Bank AG, estimates the production shutdown in the U.S. will cost Toyota 40 billion yen to 45 billion yen—or about $446 million to $502 million—a week. Toyota suffered a record net loss of 436.94 billion yen in its fiscal year ended in March.

"The bigger issue, which is harder to pinpoint, is how much sales will go down," said Mr. Sanger. "Because of the tremendous pressure they are under to cut costs, one of the increasing avenues has been commonality. So when you find a flaw, it's quite large."

Toyota already expects a net loss of 200 billion yen for the current fiscal year through March despite efforts to cut costs by 440 billion yen this year.

Company representatives in Tokyo declined to comment. A spokesman in the U.S. said the sales suspension will be "as short as possible."

Toyota engineers reached Wednesday were scratching their heads, wondering

Getty Images (Camry, Avalon, RAV4); Associated Press (Matrix, Corolla); Reuters (Tundra); Agence France-Presse/Getty Images (Sequoia); Toyota (Highlander)

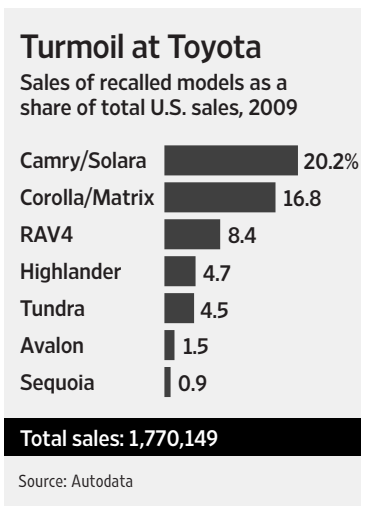
Japan's Toyota Motor has decided to temporarily stop selling eight of its models in the United States because of concerns over possible defects that may cause the vehicles to accelerate unintentionally. The eight models represented 57% of Toyota's 2009 U.S. sales. Clockwise, from upper left: the Camry, Matrix, Avalon, Highlander, Rav4, Sequoia, Corolla and Tundra.

IN DEPTH

whether the issue is an echo of product-development problems they supposedly fixed three years ago, under a quality push by then-President Katsuaki Watanabe.

Mr. Watanabe's "remedies were supposed to have fixed the problem," said one Toyota engineering director.

Toyota employees streaming out of the car maker's glossy new headquarters in Toyota City in Japan refused to discuss the sales suspension, instead shuffling by when asked about the company's quality controls.



The issues aren't limited to the U.S. A person familiar with the matter on Monday said Toyota expects to recall two million vehicles in Europe because of defective gas pedals.

The decision is the first major crisis facing Toyota President Akio Toyoda, the 53-year-old great-grandson of Toyota's founder who took the helm following a management shake-up last year.

As it was aggressively expanding around the world, Toyota began to see a growing number of recalls. In 2005, the company recalled 2.38 million vehicles in the U.S., slightly more than it sold there that year.

The company was so shaken by a surge of recalls and quality problems around the world that Mr. Watanabe, the former president, in 2006 delayed some new models by as much as half a year. The move was designed to give engineers more time to work thoroughly on vehicle and component design. In some cases, Mr. Watanabe decided to eliminate planned products altogether, while introducing new products that hadn't been in its original plans.

After a two-month review of its product development, Toyota concluded that its process was fraying at the edges because of its emphasis on global expansion.

In some cases, Mr. Watanabe noted in an interview at the time, company engineers may have rushed out products without conducting enough quality checks, such as building physical prototypes, and relying too much on computer simulations to assure quality. The new approach was suspected at the time of contributing to the quality glitches, and Toyota tapped the brakes on the practice.

In a press conference after taking over in June, Mr. Toyoda acknowledged the company erred in the last decade with an all-out push to become the world's largest car maker and drifted away from its core value of focusing on the customer.

"I do not think we were wrong to expand our business to meet the needs of customers around the world, but we may have stretched more than we should have," Mr. Toyoda said then.

Toyota first identified problems with the accelerator pedals on its Tundra pickup in March 2007.

After months of testing, the company determined that the problem was caused by the material in the accelerators' friction lever and made a change.

At that time, Toyota considered it to be a drivability issue unrelated to safety, according to its filing with the U.S. National Highway Traffic Safety Administration.

A similar issue then arose in Europe in December 2008 in the right-hand-drive versions of two small Toyota cars, the Aygo and Yaris. The company's investigation found that condensation from heaters caused increased friction in the gas pedal, making it stick in some cases.

Toyota lengthened the arm of the friction lever and changed its materials on all vehicles produced in Europe using the subject accelerator pedals starting in mid-August 2009.

Beginning in October last year, Toyota became aware of sticking accelerator pedals in the U.S. and Canada. The company realized that the material used in the gas pedals was the same as in Europe, prompting last week's U.S. recall, according to Toyota's submission to NHTSA.

Toyota first identified problems with the accelerator pedals on its Tundra pickup in March 2007. After months of testing, the company determined that the problem was caused by the material in the accelerators' friction lever and made a change.

Toyota president feared reputation backlash

By Norihiko Shirouzu

Toyota Motor Corp.'s drastic sales halt in the U.S. is a nightmare come true for Akio Toyoda, who took the helm last year at the world's largest auto maker, founded by his grandfather.

Mr. Toyoda, who set out last year as Toyota president to overhaul the way the company designs, manufactures and sells cars, had been worried for some time that a backlash such as the one it is now facing with the quality-related debacle would hit Toyota sooner or later, according to a longtime associate of the executive.

A senior Toyota executive reached by the phone Wednesday declined to say how long Toyota had known about possible defects that may have caused its vehicles to accelerate unintentionally, prompting a massive recall.

"That [timeframe] is a very important point, and it could become a very difficult problem for us legally," said the executive. "The issue is likely to become a huge problem for us."

Toyota still smarts from the trade-related bashing it withstood in the 1980s and 1990s and the 53-year-old Mr. Toyoda had made several moves to protect itself from new criticism—some of them before he officially became president in June 2009.

In one such effort, he decided early last year to call back a former executive, Yoshi Inaba, from retirement, and dispatched the executive, who is fluent in English and holds an MBA from Northwestern University, to New York to take charge of Toyota's American operations. Mr. Inaba, who is considered bicultural with a reputation for being comfortable in the U.S., was given the task of managing relationships with regulators and politicians in Washington.

Mr. Toyoda also has been trying to forge closer ties with **Ford Motor** Co. in the U.S., according to the longtime associate of Mr. Toyoda. Mr. Toyoda and other top company executives view such a relationship as "insurance" against political problems.

How Mr. Toyoda will steer Toyota through its latest crisis—now threatening the reputation of a company that has long has been viewed as the leader in automotive quality—will likely decide his legacy at his namesake company.

In a news conference immediately after taking over last June, Mr. Toyoda acknowledged that in its all-out push to become the world's largest car maker Toyota drifted away from its core value of focusing on the customer.

How President Akio Toyoda steers the company through the current crisis could decide his legacy.

"I do not think we were wrong to expand our business to meet the needs of customers around the world but we may have stretched more than we should have," said Mr. Toyoda then.

Despite the reputation for being candid, Mr. Toyoda also has been gaining a reputation in Japan as being elusive. Some Japanese reporters and editors covering the company even accuse him of hiding from the media. He has given only a handful public speeches and news conferences since becoming Toyota president and rarely meets with reporters individually.

Mr. Toyoda wasn't available to comment for this article.

Those who know Mr. Toyoda said the executive isn't avoiding the media or public appearances. Rather, he is trying to spend more time in the field, as he tries to embrace a traditional Toyota practice called *genchi genbutsu*, a leadership maxim that boils down to getting out of the office and visiting the source of the problem, according to those people.

The longtime associate said Mr. Toyoda's effort to cultivate closer ties with Ford began taking urgency last year. Well before he officially took over the company in June from his predecessor, Katsuaki Watanabe, it was becoming increasingly clear that General Motors wanted to end a vehicle-assembly joint venture the two companies ran in California.

After ending the relationship with GM, which Toyota forged through the manufacturing venture called New United Motor Manufacturing Inc., or Nummi, Mr. Toyoda felt a bit unprotected politically in the U.S., according to this person. He wanted to fill the void with Ford, the person said.

In September, according to this person, Mr. Toyoda and Ford CEO Alan Mulally arranged to meet in San Francisco. The two executives "talked about how Toyota and Ford could cooperate to form a close relationship... and agreed to cooperate in a very general sense," the person said.

No specific deals were hammered out at the September meeting, but Messrs. Toyoda and Mulally "identified the environmental area as a possible way of cooperation," he said, noting that the two companies could help one another in green-car technologies, by jointly developing and manufacturing gasoline-electric hybrids and plug-in electric cars.

Mr. Toyoda wasn't available to comment about the September event. Mr. Mulally declined to comment.

The two executives left the meeting, according to the person, agreeing to meet again.

WORLD ECONOMIC FORUM

Davos's experts see global dip ahead

Emerging economies are viewed as a bright spot amid pressure on world economy; bank regulations stir passions

By Marcus Walker

DAVOS—The global economic recovery could lose pace later this year, dashing hopes for a rapid escape from the deepest downturn of the postwar era, economists and investors said at the World Economic Forum's annual meeting at this Swiss ski resort.

Heavy debts will weigh on governments and households in the U.S. and Europe for some time, while hopes for global growth will continue to rest on fast-developing countries such as India and China, predicted participants at the meeting's opening debate on the economy.

As many expected, the debate on regulating big banks also stoked passions. The push for more stringent regulation has accelerated in Europe and around the world since last week, when U.S. President Barack Obama's administration proposed a plan to tax and curb activities of big banks.

The annual gathering of much of the world financial elite in Davos offers a chance to gauge the mood of business, regulators and analysts about the year ahead. Wednesday's debate suggested that while the global economy is growing again, it isn't out of the woods yet.

The world faces a long, slow recovery "ending in subpar growth," with the risk of a renewed recession along the way, said Nouriel Roubini, an economics professor at New York University who accurately predicted the financial crisis in Davos three years ago.

Mr. Roubini was uncharacteristically optimistic about the growth prospects for the world's emerging economies. But even there he found nits to pick in the form of China's risk of bubbles, Russia's aging population and political obstacles to structural overhauls in Brazil and India.

Turning to bank regulation, Mr. Roubini was among those who argued for even more stringent measures that would separate commercial banking from investment banking.

Financier George Soros said he backed Mr. Obama's plan to curb the activities of big banks, though he said it was both insufficiently broad and "premature," coming before banks had the chance to earn themselves out of their problems.

Reuters

Davos attendees suggested the global economy isn't out of the woods. Financier George Soros, below, backed Barack Obama's new bank regulationi proposal but said it was 'premature.'

Associated Press

"This development came too soon because the banks are not out of the woods," said Mr. Soros, chairman of Soros Fund Management LLC and founder of The Open Society Institute.

He said he largely backs the administration's plan. "I'm very supportive of it but I don't think it goes far enough," said Mr. Soros, predicting the plan to stop commercial banks from speculating for their own accounts would lead big banks to split up and spin off investment arms, which themselves would become "too big to fail."

Others warned that the new regulations against banks—and growing protectionism—pose a serious risk to continued recovery. "We have moved from a period of great economic uncertainty to a period of great political uncertainty," said Raghuram Rajan, finance professor at the University of Chicago.

Mr. Rajan said the combination of 10% unemployment in the U.S. and 10% economic growth in China could prove politically toxic, as U.S. politicians might resort to "populism" and protectionist measures.

The disparity of the outlook between emerging and developed economies is particularly stark, he noted.

"Emerging markets used to be associated with indebted governments, lax monetary policy, suspicion of markets, a polarized electorate and a suspect private sector," Mr. Rajan said. Now, he said, that description better fits the world's advanced economies.

Many leading economists and investors showed little confidence that good times are back. The U.S. and Europe will have "U-shaped" or "W-shaped" recoveries, economists on the panel argued, meaning they believe the upturn since late 2009 will fizzle out later this year.

At Davos in 2007, few believed Mr. Roubini when he predicted a deep recession and financial crisis from the bursting of mortgage and credit bubbles.

Three years later, he is calling for more regulation. "I think the proposals are going in the right direction. But they are not enough," he said.

Mr. Roubini advocated the return of the Glass-Steagal Act of 1932, which separated commercial banking from investment banking after the collapse of many U.S. commercial banks in the 1930s.

Others countered that a push for more regulation could impose new risks.

Overreaction to the banking crisis by regulators and politicians could become a significant drag on economic growth, said David Rubenstein, co-founder of private-Wequity firm Carlyle Group. The idea that tougher regulation can avoid all future financial crises is an illusion, he said: "We're not going to eliminate asset bubbles."

The U.S. needs to improve the state of "three d's: debt, the deficit and the dollar," said Mr. Rubenstein, adding that the U.S. budget deficit is bigger than other countries' budgets.

—Stephen Fidler contributed to this article.

EU sees its dreams of power wane as a 'G-2' rises

By Marcus Walker

BERLIN—This year, the 27-nation European Union was supposed to come of age as an actor on the world stage, bolstered by the Lisbon Treaty, which streamlines the EU's cumbersome institutions. Instead, Europe is starting to look like the loser in a new geopolitical order dominated by the U.S. and emerging powers led by China.

For the world's policy and economic elite gathered in Davos, Switzerland, for the annual World Economic Forum, much of the talk will be about the rise of a "G-2" world where the U.S. and China are the most important players.

A growing number of European policy makers and analysts say the EU's international influence may have peaked, on a combination of political divisions and poor long-term prospects for its economy.

"The EU's attempts to be a coherent international actor seem to be decreasingly effective," says Charles Grant, director of the Center for European Reform, a pro-EU London think tank.

Europe's hope of playing a leading role in a multipolar world got a cold shower in Copenhagen last month, at the United Nations-sponsored talks on climate change.

EU countries view themselves as leaders on the issue. But no Europeans were invited when U.S. President Barack Obama and Chinese Premier Wen Jiabao held the make-or-break meeting on Dec. 18 that brokered the modest Copenhagen accord. The Chinese invited the leaders of India, Brazil and South Africa.

That meeting and Europe's absence was "the seminal image of 2009," says a senior European diplomat. "It was a signal that we are becoming more and more marginalized and peripheral" in the new balance of global power, he says..."

EU countries haven't helped their own cause lately. The Lisbon Treaty, which entered into force in December after eight years of struggle, was meant to make the EU a more coherent actor, in part by creating two new jobs—a president to lead EU summits and a high representative to present a united foreign policy.

Last fall, however, national leaders signaled they didn't want powerful figures overshadowing them. They appointed Belgium's low-key premier, Herman Van Rompuy, to be chairman of summits, and a previously obscure U.K. official, Catherine Ashton, to lead a common foreign policy.

Europe, of course, remains a major global player. Its $16 trillion economy accounts for 28% of global output, more than the U.S. The EU's integrated consumer market is the top destination for Chinese goods. Its industrial engine, Germany, remains the world's fourth-largest national economy and exports nearly as much merchandise as China does.

Britain and France can still deploy significant military power abroad, and have permanent U.N. Security Council seats. Europeans are well represented in global institutions and committees, including the International Monetary Fund and the Financial Stability Forum, where EU officials are influential in negotiating new banking rules.

Europe also has "soft power," in its ability to attract and co-opt others by offering EU membership to neighbors, and in representing a model of welfare capitalism to people in the world who dislike the more-individualistic American version.

Yet many of those influences may have peaked, say foreign-affairs scholars. "Europe has undersold its soft power because of its own confusion: Should it project its economic model, or should it adopt the one from across the Atlantic?" says Rajeev Kumar, director of the Indian Council for Research on International Economic Relations.

The EU suffered a deeper economic contraction than the U.S. in 2009, even though the U.S. was the epicenter of the economic crisis. It faces a slower recovery thanks partly to onerous public debt in many countries.

Economists at Goldman Sachs—who coined the term "BRIC" for Brazil, Russia, India and China—project the leading emerging economies will overtake Western Europe's leading nations in coming decades, and that the U.S., Chinese and Indian economies will dwarf all others by midcentury.

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APPLE'S BIG PUSH

Apple unveils new iPad tablet device

Continued from first page
obstacles, veteran tech watchers say, as well as competition from laptops and smaller devices such as Apple's own iPods and **Amazon.com** Inc.'s Kindle reader.

But few people underestimate the ability of Mr. Jobs to turn out a product that will get people talking, and at least some of them buying.

The larger display provides more space for software of the sort now found on the iPhone—including games, navigation and social networking—while allowing users to access traditional media like books, newspapers, movies and TV in new ways.

The underlying concepts behind such products can be traced to the Dynabook, a design for a portable device proposed in the late 1960s by computer scientist Alan Kay. Companies started working on comparable products by the late 1980s, hoping to substitute pen-type devices for keyboards to input data.

But many high-profile start-ups were hurt by defects in underlying technologies, particularly in handwriting recognition and displays. **Momenta** Corp., for example, launched a six-pound, pen-based computer in 1991 that cost $5,000; the company folded a year later.

When Apple first tried to crack the market in the 1990s with a small device called Newton; its handwriting recognition was bad enough to prompt parodies in the "Doonesbury" comic strip. A few years after Mr. Jobs returned to Apple in 1996, he shut the product down.

Microsoft Corp., meanwhile, turned out versions of Windows that could be manipulated with a pen and were used in tablet-style products. But few have found many users beyond businesses with workers that need to be standing, like insurance adjusters and some sales representatives.

Industry executives say the market has changed dramatically, as have technology companies' goals. In the early 1990s, companies were trying to turn existing laptops into pen-based productivity tools, says Jerry Kaplan, co-founder of Go Corp, a maker of tablet software in the 1990s. Apple is really making a larger version of its iPhone—a device that is already a consumer hit.

Hardware technology has advanced dramatically in the past decade, making it easier to offer devices that are smaller, more powerful and less expensive. Modern touch-screens are more responsive and don't require electronic pens.

The broad acceptance over the past decade of Wi-Fi networking in homes and public places and the rollout of 3G cellular networks in the past two years has made it possible for consumers to get accustomed to using their laptops and cellphones for viewing music, movies and other entertainment.

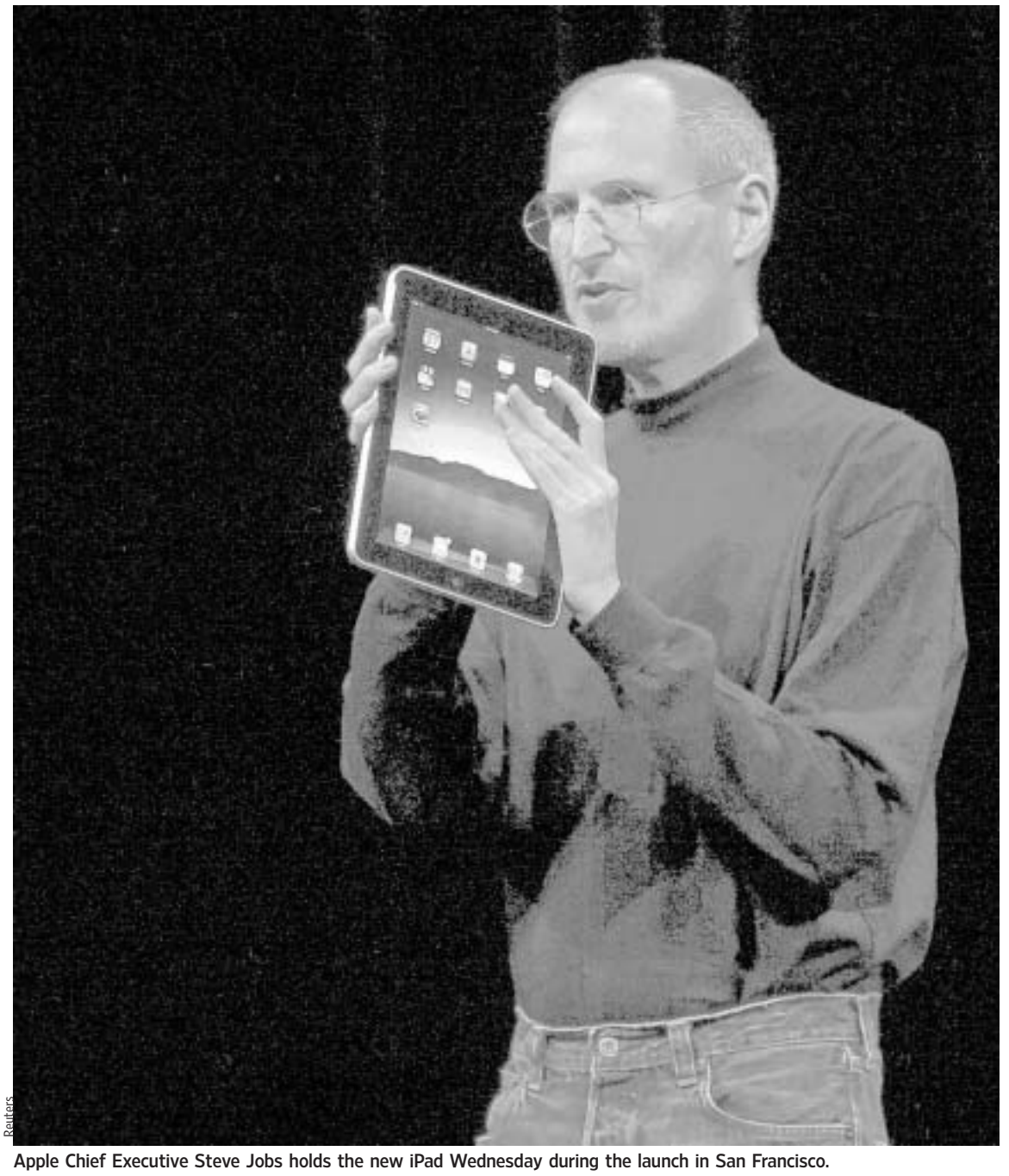
"I believe the time has come," says Kamran Elahian, the entrepreneur and venture capitalist who founded Momenta, of Apple's expected tablet.

But Apple is entering a market that is more complex and crowded. The rivals include lightweight netbook computers that can sell for less than $300 as well as specialized devices like Amazon's Kindle.

Other computer makers are pushing competing efforts. **Lenovo Group** Ltd., for example, recently unveiled its IdeaPad UI, a $999 notebook with a detachable screen that works as a stand-alone tablet.

Whatever limitations an initial Apple tablet might have, Mr. Kapor says, Apple is likely to address over them over time, as it did with the iPhone. "We should judge it not only on where it starts but what it's likely trajectory is," he says.

—Nick Wingfield contributed to this article.



Reuters

Apple Chief Executive Steve Jobs holds the new iPad Wednesday during the launch in San Francisco.

Publishers prepare new playbook for tablet

By Jeffrey A. Trachtenberg

Book publishers were locked in negotiations with **Apple** Inc. that could rewrite the industry's revenue model in the wake of the technology giant's highly anticipated new tablet device.

Apple's multimedia tablet device, with a 10-inch touch screen that is expected to deliver video, text, navigation and social-networking applications, is trying to change the way much of traditional media is delivered.

For the book industry, the Apple tablet brings to the forefront a battle between Apple and industry heavyweight **Amazon.com** Inc. over how e-books—seen as the future of the book industry—will be priced and distributed.

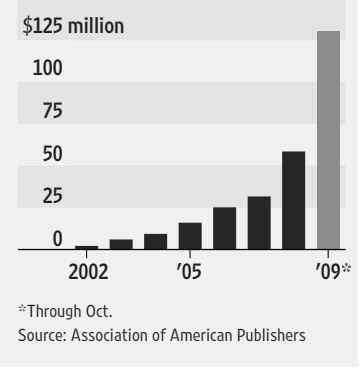
Apple's business model for books, which the company has kept under tight wraps, shifts the focus away from the bargain-basement prices Amazon has made popular, according to publishers that have met directly with the company. Apple is asking publishers to set two e-book price points for hardcover best sellers: $12.99 and $14.99, with fewer titles offered at $9.99. In setting their own e-book prices, publishers would avoid the threat of heavy discounting. Apple would take a 30% cut of the book price as publishers get the remaining 70%.

Apple's vision is at odds with Amazon, which has shaken the book industry by slashing prices of e-books on its Kindle reader and making the $9.99 e-book best seller a fixture.

The Apple tablet aims to reshape many corners of the media industry, just as Apple's iPod revolutionized the music business when it made its debut in 2001. Apple has been in discussions with television networks, magazines and videogame publishers about featuring their wares on the device.

Many TV networks remained skeptical of Apple's proposal to sell a "best of TV" subscription service under which customers would pay a monthly fee for access to programs. The networks are concerned about disrupting their relationships with cable and satellite-TV companies, which pay billions of dollars in annual fees to the networks.

Among major publishers, **News Corp.**'s HarperCollins Publishers was in serious negotiations with Apple late on Tuesday to appear in the starting lineup for the tablet, set to be unveiled at a news conference in San Francisco Wednesday morning. News Corp. also owns The Wall Street Journal.



In the newspaper and magazine industry, several executives were in the dark about how their content would be distributed and priced. Without much detail, some publishers have been readying electronic editions that could be adapted for the tablet.

Many media executives said they expected to get more clarity in meetings with Apple executives after Wednesday's presentation. While some of the largest publishers may not be up on stage Wednesday, their books could appear on the device when it is shipped in March.

Harold McGraw III, chief executive of textbook publisher **McGraw-Hill** Cos., said on an analyst call Tuesday: "In the near future you will undoubtedly see a McGraw-Hill e-book for the college market running on an Apple tablet."

Apple declined to comment on its pricing model or any aspect of the new device.

Publishers will likely have to choose between Apple and Amazon. While Amazon has established a dominant position in e-books with its cut-price titles and popular Kindle, publishers are anxious that consumers have come to expect such prices. By allowing publishers to set their own prices, Apple is enabling publishers to re-set the rules and reach a broad audience.

Aware of the threat, Amazon has been on its own offensive. In series of meetings in New York last week, the online behemoth made it clear to publishers that it is opposed to the Apple pricing model, according to people familiar with the situation.

"This is as intense a situation as the industry has ever had," said one publisher.

Amazon typically pays publishers about half of the cover price of a new hardcover book for e-book bestsellers. For example, Andre Agassi's recent memoir, "Open," has a hardcover price of $28.95, which means the publisher likely received about $14.50 for the e-book edition.

Since Amazon today sells that e-book for $9.99, the bookseller is losing about $4.50 on each sale—a hit Amazon has been willing to take to build a dominant market share in e-books and power sales of its Kindle reading device. An Amazon spokesman declined to comment.

The Apple model would bring in less revenue per title for publishers and authors. Since Apple will take a 30% fee on sales, a $14.99 e-book will generate $10.49 for publishers. That publishers and authors stand to make lower revenue per book sold on the Apple model is one reason some are hesitating about signing up with the tablet.

But there is nevertheless a strong draw: In adopting the Apple model, the balance of power would shift at least partly back to publishers, which regain control of pricing. In setting higher prices, they could provide a level playing field for all e-book retailers.

"The reason why publishers will consider this is to bring in Apple as a major distributor of e-books," said the publishing executive.

—Russell Adams and Shira Ovide contributed to this article.

Strong digital camera sales give glossy finish to Canon's profit
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BUSINESS & FINANCE.

Thursday, January 28, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Rusal's CEO shrugs off weak debut

Deripaska calls dispute over stake in aluminum producer a 'personal issue'; Hong Kong stock falls 10.6%

By Peter Stein

HONG KONG—Shares of Russian aluminum giant UC **Rusal** fell 10.6% on their first day of trade here, a volatile start that highlighted some of the risk surrounding the US$2.55 billion offering.

In an interview, Oleg Deripaska, Rusal's 42-year-old chief executive and controlling shareholder, blamed the share decline on weakness in global markets, noting that "the whole atmosphere isn't the same as two weeks ago."

Mr. Deripaska also described one legal dispute mentioned in the "risk factors" section of Rusal's prospectus as a "personal issue," and suggested another one was motivated by economic hardship. When asked about the possibility of a merger with OAO **Norilsk Nickel**, in which Rusal holds a 25% stake, he answered that Rusal has "multiple options."

Rusal's dual listing Wednesday in Hong Kong and Paris caps a remarkable comeback for a company that a year ago was staggering under huge debts and a collapse in commodity prices. Late last year, Rusal worked out a mammoth restructuring that let it delay $7.4 billion in loans owned to Western banks and paved the way for its initial public offering. The offer itself got a big boost when Russian state-controlled Vneshekonombank, which provided Rusal with a $4.5 billion bailout loan in 2008, became the single biggest investor in the IPO, buying more than a quarter of the shares for sale. Rusal said it will use the funds raised to pay down debt.

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■ Hong Kong's Rusal error 34

Christie Johnston for The Wall Street Journal

Oleg Deripaska, shown Wednesday, says the drop in Rusal's share price reflects broader market concerns.

Citic unit sets up private-equity fund

By Andrew Browne

BEIJING—The private-equity arm of Chinese financial and industrial conglomerate Citic Group said it has raised a total of nine billion yuan ($1.32 billion) to create the largest local-currency fund in China, which will focus on turning around state-owned enterprises.

Wu Yibing, the president of **Citic Private Equity Funds Management** Co., said in an interview that two-thirds of the fund will be allocated to companies in the state sector, where the fund enjoys good access, in part because of its links to state-owned Citic as well as **Citic Securities**, China's largest brokerage by earnings.

"We're known by local governments and portfolio companies as 'insiders'," Mr. Wu said. "We sit on the same side of the table a bit more often."

The fund's largest investor is the National Council for Social Security Fund, China's pension fund.

Now that it has completed fund raising, Citic Mianyang Private Equity Fund has overtaken Bohai Industrial Fund to become the largest yuan-denominated fund ever raised in China. Bohai Industrial is a 6.1 billion yuan fund.

Several of the world's largest private-equity funds are raising local-currency funds to snag bigger deals in China with fewer constraints. This month, Carlyle Group LP announced plans to raise a yuan fund in partnership with the Beijing city government, a political connection that it hopes will give it an inside track on deals.

One of the advantages of local-currency funds is that they can invest in a broader range of sectors, including some that are restricted to

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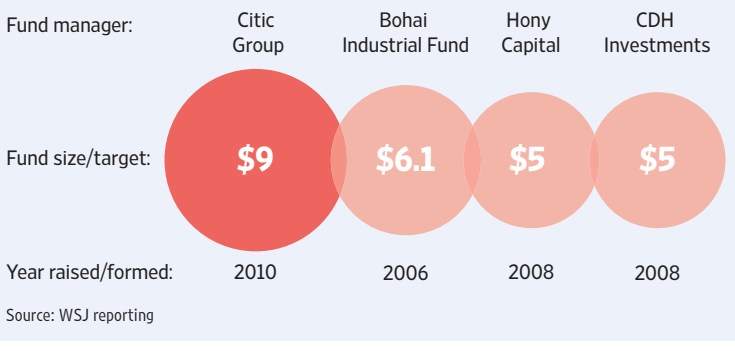
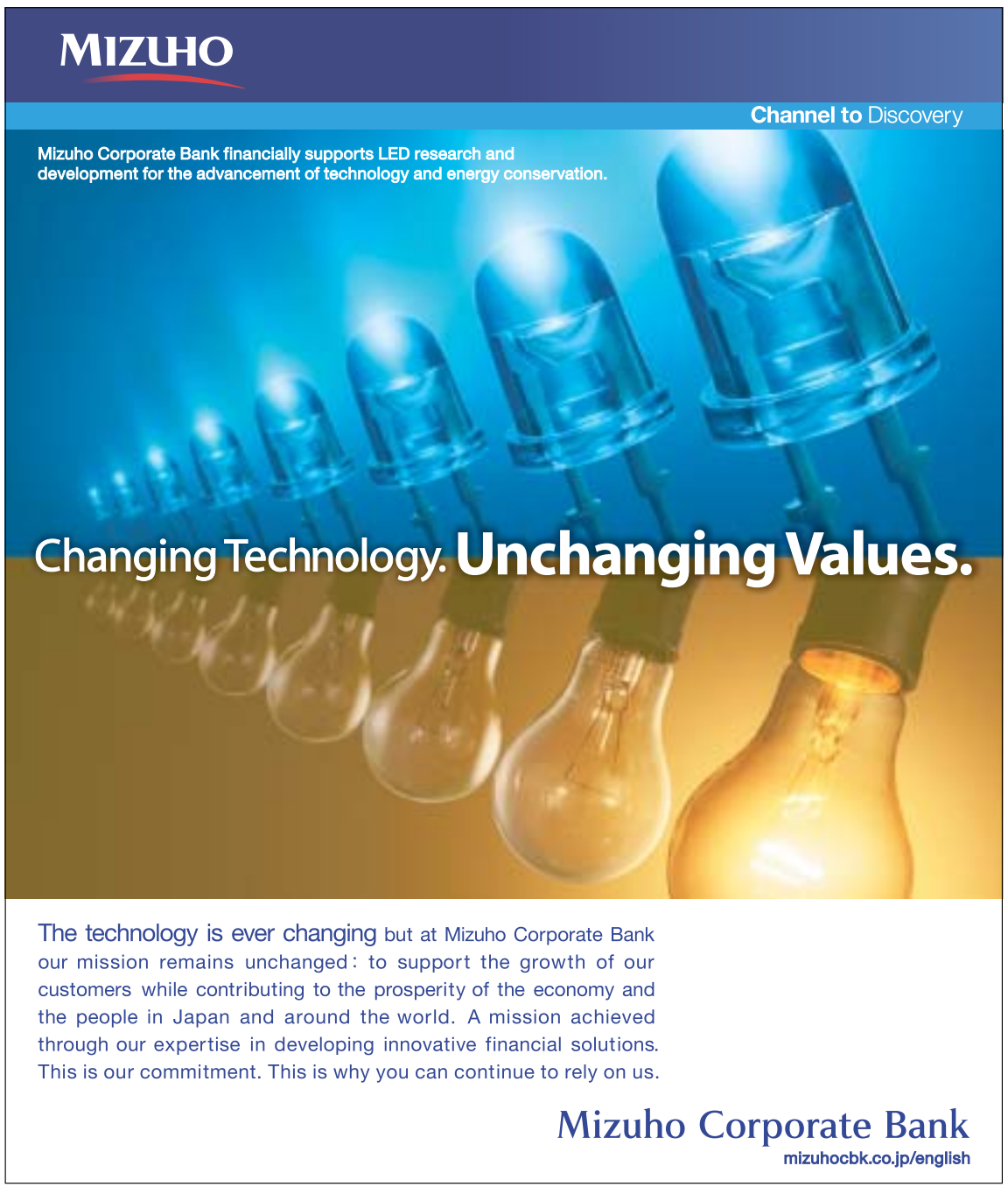
Domestic deal makers

Selected large yuan funds raised by Chinese managers, in billions of yuan



Source: WSJ reporting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BUSINESS & FINANCE

China tries to wean banks off loans

Regulators shift gears to control credit expansion, but banks rely on robust loans; tension has jolted markets

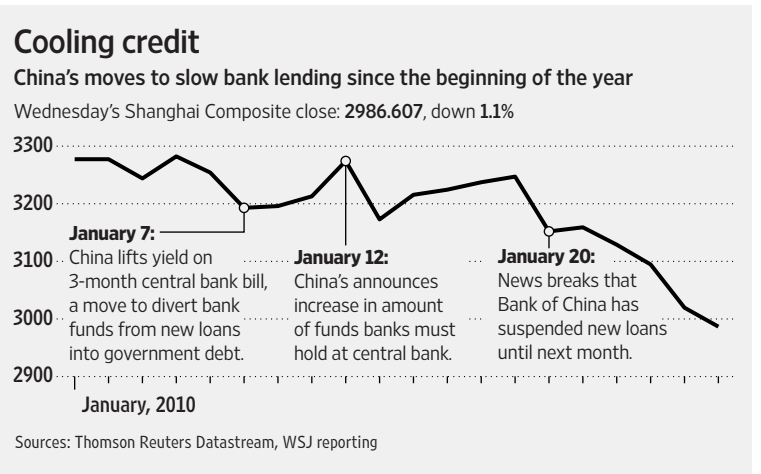
By Dinny McMahon

BEIJING—Chinese authorities' repeated moves to rein in bank lending in recent weeks highlight the addiction of the country's banks to loose credit, and efforts to wean them could lead to further turmoil in global financial markets.

The core of the problem: China's state-owned banks both want to make profits and need to follow government policy. Those two demands are now in conflict as regulators shift gears to control credit expansion, creating uncertainty over the outlook for China—the world's fastest growing major economy—that has repeatedly jolted global markets.

On Monday, people familiar with the situation said branches of **Industrial & Commercial Bank of China** Ltd., the country's biggest lender, and **China Citic Bank** Ltd. had suspended new lending until February. It isn't clear whether this followed a broad dictate from the central government. While the sources said bank headquarters ordered the halt, regulators often convey instructions by privately telling senior bank officials. The move followed word last week from a **Bank of China** Ltd. official that it had stopped issuing new loans for the rest of January.

"While China's banking system is remarkably efficient at responding to a crisis and reviving the economy, it just isn't what you need when you want to guide credit down," said Stephen Green, Shanghai-based economist for Standard Chartered.


Cooling credit
China's moves to slow bank lending since the beginning of the year
Wednesday's Shanghai Composite close: 2986.607, down 1.1%
3300
3200
3100
3000
2900
January 7: China lifts yield on 3-month central bank bill, a move to divert bank funds from new loans into government debt.
January 12: China's announces increase in amount of funds banks must hold at central bank.
January 20: News breaks that Bank of China has suspended new loans until next month.
January, 2010
Sources: Thomson Reuters Datastream, WSJ reporting

The China Banking Regulatory Commission, underlining its concerns about loan growth, on Wednesday said it had warned banks in a nationwide teleconference to control any rebound in nonperforming loans.

Though economists say the steps to curb lending growth are unlikely to have a big impact on China's economy, that has been difficult for outside investors to assess. Regulators announced this month an increase in the share of deposits banks must hold on reserve, but most of the latest measures haven't been publicly disclosed, and they bear little resemblance to how monetary policy typically is conducted in other economies. Shanghai's benchmark stock index has fallen 9% so far this year, and concerns about credit policy have roiled markets from Hong Kong to New York.

More official intervention in banks' operations is likely in coming months, given the basic tension between policy makers' goals and banks' incentives.

Regulators, worried about potential inflation, asset bubbles and bad loans, feel they must set limits on total credit growth, but by doing so they create incentives for banks to churn out loans quickly to gain as much of the industry quota as possible. Most other major economies guide lending by using interest rates to change the price of credit. China's government dislikes frequent changes to interest rates, and has often relied on measures that limit loan volume. The lending boom of 2009 was spurred by the removal of the strict credit quotas of 2008, delivering a tremendous boost to the economy. But now that the government has re-imposed a ceiling on new lending—a target of 7.5 trillion yuan ($1.1 trillion) for 2010 versus 9.59 trillion yuan that went out in 2009—the downsides of the quota system are showing up again.

Early indications are that banks, racing against the quota, already have lent a massive amount over the first few weeks of the year.

A report in the China Securities News, a newspaper backed by the state-run Xinhua news agency, said new loans over the first two weeks of January totaled 1.1 trillion yuan. The 21st Century Business Herald, a local newspaper, reported 1.45 trillion yuan in loans—about a fifth of the annual target—over the first three weeks. The stories didn't name sources and neither could be independently verified.

Bank of China and ICBC have both said publicly that the pace of lending in early January was too fast, although neither bank said how much they had lent. In a statement Wednesday, ICBC said it wouldn't stop lending. Official data on January lending won't be published for another two weeks.

Bank lending typically spikes in the first quarter of each year, although analysts say the size of 2010's increase is unusually large. Chinese banks make much less money from fees than their international peers, so lending volume is the main determinant of their profit. Interest on loans accounted for 66% of operating revenue for the 12 listed Chinese banks at the end of 2008, according to data from Fitch Ratings. So a bank that behaves prudently and spreads out its lending evenly over the year could end up at a disadvantage to other banks that were more aggressive.

"The earlier you make a loan, the easier you can get it approved" by a bank's internal monitors, said Wen Chunling, a banking analyst at Fitch Ratings. "If you wait until the fourth quarter you may find that the quota has already been used up."

By lending heavily early in the year, banks also may be hoping to force Beijing into loosening the cap on new loans rather than bring all new lending to a complete halt when the quota is met.

"If you lend more than other banks, the regulator might accept that as fact and allocate you a larger loan quota based on existing size," said Bank of America-Merrill Lynch economist Ting Lu.

The very size of last year's credit boom also makes it hard for banks to curtail lending this year. Many of the new projects that banks funded in 2009 will likely need further credit this year to be completed. A report from the Bank of International Settlements warned in December that China's banks may have to continue lending just to avoid having projects default and turn into bad debts.

—Andrew Batson contributed to this article.

UAL, AirTran report improved quarterly results

By Joan E. Solsman And Nathan Becker

UAL Corp.'s fourth-quarter loss narrowed because of prior-year losses from its fuel-hedging program as unit revenue for the holding company's United Airlines continued to improve.

"With business and premium traffic strengthening and the benefit of an improved cost structure, we are well on the road to closing the profitability gap," Chief Financial Officer Kathryn Mikells said after UAL became the latest airline company to report results that topped analysts' expectations.

Elsewhere Wednesday, **AirTran Holdings** Inc. swung to a bigger-than-expected profit in the fourth quarter following prior-year losses from wrong-way bets in its fuel hedging, as the parent of low-cost carrier AirTran Airways said revenue increased and fuel costs fell.

Shares of both stocks rose in early trading Wednesday.

UAL reported that it had a loss of $240 million, or $1.44 a share, compared with a loss of $1.32 billion, or $10 a share. Excluding hedging effects and accounting charges, UAL's per-share loss narrowed to $1.05 from $4.31. Revenue decreased 7.8% to $4.19 billion.

UAL's revenue per available seat mile, considered the best gauge of revenue for airlines, continued to ease, falling 5.2% after double-digit declines in earlier quarters.

AirTran posted a profit of $17.1 million, or 11 cents a share, compared with a year-earlier loss of $121.6 million, or $1.03 a share. Excluding fuel-hedging impacts, earnings were seven cents a share, compared with a prior-year loss of 14 cents a share. Revenue increased 1.5% to $598.4 million.

INDEX TO BUSINESSES AND PEOPLE

Businesses

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Corrections & Amplifications

Debt held by the public at the end of 2009 exceeded $7.5 trillion, or about 53% of GDP, the Congressional Budget Office stated on its Web site Tuesday. A World News article Wednesday quoted a **CBO** blog post that incorrectly said debt held by the public was $5.8 trillion.

A Wednesday Markets article about New York's Stuyvesant Town and Peter Cooper Village apartment complex was incorrectly accompanied by a photo of the Lillian Wald housing project on Manhattan's Lower East Side, which was misidentified as the Stuyvesant Town and Peter Cooper property.

The Hong Kong and Shanghai stock exchanges signed an agreement for closer cooperation in January 2009. Officials from the two exchanges met last Thursday to discuss the agreement. A Business & Finance article Tuesday incorrectly said the agreement was signed last Thursday.

Hang Lung posts sharp profit gain

By Joyce Li

HONG KONG—**Hang Lung Properties** Ltd. said its fiscal first-half underlying profit surged to nearly five times the year-earlier level, as stronger property sales and rental income buoyed the Hong Kong developer and landlord.

Chairman Ronnie Chan said he expects the company's rental income from mainland China to surpass that from Hong Kong after two years, following the opening of a shopping mall in Shenyang, in Henan province, this year and another in Jinan, Shandong province, next year.

He dismissed concerns about a property bubble forming in Hong Kong, saying the high prices in the luxury-property sector don't affect the mass residential market.

Hang Lung Properties' underlying profit for the six months ended Dec. 31 rose to 5.51 billion Hong Kong dollars (US$708.6 million) from HK$1.2 billion a year earlier. Analysts use underlying profit to gauge the performance of Hong Kong's property companies because regular revaluations of investment properties distort the bottom line.

The company, whose results mark the start of the Hong Kong property sector's reporting season, said its first-half net profit surged to HK$17.35 billion, an about 14-fold increase from the HK$1.22 billion it posted a year earlier, due to a property revaluation gain of HK$16.16 billion. Revenue soared to HK$9.73 billion from HK$2.05 billion. Hang Lung Properties proposed a first-half dividend of 17 Hong Kong cents, up from 15 cents a year earlier.

Mr. Chan declined to comment on whether the company plans to launch more property projects for sale in Hong Kong this year. But he said Hong Kong isn't facing a bubble. "Luxury properties are expensive. But it doesn't affect the mass public. Overall properties are still at very affordable levels," he said.

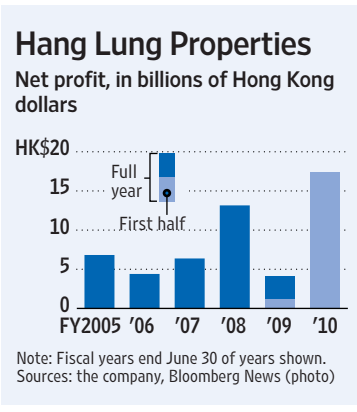
In 2009, Hong Kong property prices rose 27% overall, but luxury property prices jumped about 50%, driven by money coming from mainland China.

Hang Lung Properties' strong result was also boosted by higher rental income from commercial space in both Shanghai and Hong Kong. Its pretax profit from leasing activities rose 9.3% to HK$1.83 billion from HK$1.68 billion.

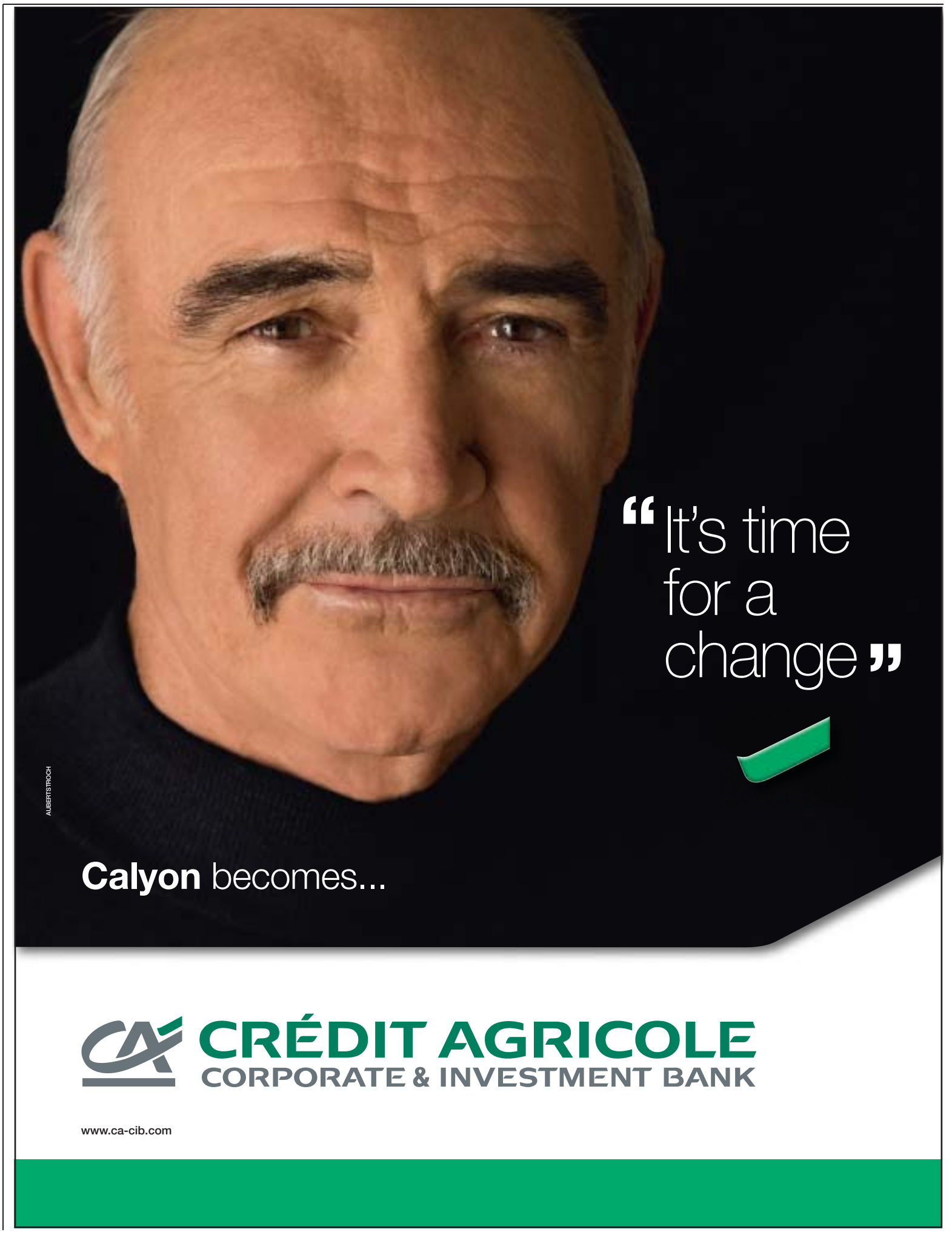
Mainland China accounted for about 44% of its profit from rental properties, with the rest coming from Hong Kong. Hang Lung Properties said it expects to complete construction of its Palace 66 shopping mall in Shenyang by the middle of this year. About 80% of the mall, which has total gross floor area of 109,300 square meters, has already been pre-leased. Its six-story shopping mall in Jinan, which is due to open in 2011, will have a total gross floor area of 171,000 square meters.

Hang Lung Properties has a mainland China land bank of about 20 million square feet, and it is still seeking to buy large sites in China, Mr. Chan said, without elaborating.

Hang Lung Group Ltd., which owns around 52% of Hang Lung Properties, reported a first-half net profit of HK$9.59 billion Wednesday, up from HK$906 million a year earlier. Its revenue surged to HK$9.99 billion from HK$2.32 billion. The group declared a first-half dividend of 19 Hong Kong cents a share, up from 16.5 cents a year earlier.



Residential apartment towers in Hong Kong



CORPORATE NEWS

Canon's profit increases

Digital cameras spur sales; earnings growth is expected for 2010

By Juro Osawa

TOKYO—**Canon** Inc. on Wednesday said its fourth-quarter net profit grew more than fivefold in part because of robust digital-camera sales, and it expects revenue and profit for 2010 to rise for the first time in three years.

The results from the Japanese electronics giant—the first of its industry to report for the December period—offer hope that the improving global outlook and growing demand from consumers and businesses could help Japan's big gadget exporters, which have suffered from tight budgets and the strong yen.

Canon posted a net profit of 61.56 billion yen ($686.7 million), up from 11.62 billion yen a year earlier. The figure was better than the 47.31 billion-yen profit forecast by analysts surveyed by Thomson Reuters.

Operating profit more than doubled to 92.13 billion yen from 35.83 billion yen, while revenue stood at 954.06 billion yen, down 4.1%.

The profit growth owed much to its consumer business segment, which includes cameras and inkjet printers. The segment's operating profit rose 84% to 75.14 billion yen, thanks to cost cuts and brisk sales of highly profitable digital single-lens-reflex cameras.

Still, for the entire 2009, Canon posted a 57% decline in net profit to 131.65 billion yen and a 56% drop in operating profit to 217.06 billion yen as the yen's strength for much of the year hurt overseas sales. Revenue sank 22% to 3.209 trillion yen.

Bloomberg News

Canon expects digital cameras to bolster sales this year.

The company is counting on growth in 2010, thanks to continued strength in digital cameras and a gradual recovery in office equipment such as printers. The company expects a 52% rise in net profit for the year to 200 billion yen on revenue of 3.450 trillion yen, up 7.5%.

"We're no longer stuck with inventories, so our factory operating rate should improve," said Managing Director Masahiro Osawa.

Canon also plans capital investment of 220 billion yen this year, up from last year's 216 billion yen.

The company expects its digital-camera sales to rise 6% to 25.7 million units this year, while it projects a 5% expansion in the overall global market size for digital cameras in 2010 to about 121 million units.

Canon said the forecasts don't take into account its plan to acquire Dutch printer maker **Oce** NV for €730 million ($1.03 billion) by March. "We are preparing for a tender offer as planned," said Mr. Osawa. **Orbis Portfolio Management**, which has a significant stake in Oce, has said it would oppose the tender offer, claiming Oce's assets are being significantly undervalued at the proposed buyout price.

Seibu owner to shut central Tokyo store

By Hiroyuki Kachi

TOKYO—**Seven & i Holdings** Co. has decided to close another department store, this time in central Tokyo, in the latest closure among operators struggling to compete amid the slide in personal consumption.

The Japanese retailer, which runs **7-Eleven** convenience stores in Japan and the U.S., as well as upscale Japanese department stores Seibu and Sogo and Ito-Yokado supermarkets, said Wednesday it will shut its Seibu branch in the Yurakucho district on Dec. 25.

The decision follows last year's closure of Seven & i's much bigger Sogo store in Osaka, which was then transferred to **Daimaru** Inc., a unit of Japan's second largest department store operator **J. Front Retailing** Co. Seven & i also last year shut a Seibu store in Sapporo, northern Japan.

Seven & i shares rose 3.1% to 1,985 yen ($22.14) Wednesday, outperforming the benchmark Nikkei 225 Stock Average's 0.7% decline.

Seven & i—the No. 4 competitor in Japan's department store sector—said the Yurakucho store opened in 1984 and primarily sells clothing and fashion goods targeting female office workers.

But it has been struggling despite its prime location in a major business and shopping district, as more consumers forgo luxury goods amid prolonged economic uncertainty. Competition with the likes of Swedish clothing chain **Hennes & Mauritz AB** in close proximity has added to the pressure.

The Yurakucho store, with its 15,700 square meters of shopping floor space, recorded sales of 16.2 billion yen for the year ended February 2009, down 40% from its peak. Seven & i registered overall sales in the sector of 919.6 billion yen in the same business year.

Nationwide department store sales—adjusted for changes in the number of stores—fell 10% in 2009 to 6.584 trillion yen for the 13th consecutive year of decline, according to the Japan Department Stores Association.

It was the first time in 24 years that sales fell short of seven trillion yen.

"The store closure is a long-term positive for Seven & i's department store segment, and operating profit for next fiscal year may improve on this, even though one-time extraordinary losses due to the closure may weigh on its bottom line at the same time," said Credit Suisse analyst Dairo Murata.

Last year, Japan's biggest department store operator, **Isetan Mitsukoshi Holdings** Ltd., closed two of its stores—one in Ikebukuro in central Tokyo and the other in Kagoshima, southern Japan.

"There's still room for further restructuring, including more store shutdowns, in Japan's department store sector as a whole," Mr. Murata said.

As the business climate remains harsh for Seven & i, with deflation affecting its mainstay convenience store and supermarket operations, the company may fail to meet its 109 billion yen net profit forecast for the fiscal year ending February, Mr. Murata added.

—Juro Osawa contributed to this article.

Woolworths of Australia posts slower sales growth

By Rebecca Thurlow

SYDNEY—Australian grocery and general-merchandise retailer **Woolworths** Ltd. said fiscal second-quarter sales rose 4.1% from a year earlier, a marked slowdown from a year ago when spending was boosted by the government's stimulus package.

Analysts had expected Woolworths to report a rise in total sales of 5.9%, according to the average of four brokerage reports seen by Dow Jones Newswires. Estimates ranged from 5.3% to 6.3%.

First-quarter sales had grown 4.2% and in the year-earlier second quarter sales had jumped 8.1%.

The BIG W division was particularly hard hit, with sales falling by 0.3% in the latest second quarter. Domestic food and liquor sales rose 5.9%.

"In Australia, this quarter's sales result is a strong indication of the positive impact of the Australian government's first stimulus package in 2008, which underpinned high consumer confidence during the global economic downturn and helped to safeguard jobs across the retail industry," said Chief Executive Officer Michael Luscombe.

Woolworths reiterated guidance given last year that it expects net profit to grow between 8% and 11% in fiscal 2010.

"The second half of the year will be impacted by low price inflation and the cycling of the government stimulus packages," the company said in the statement.

"Discretionary spending levels will continue to be influenced by macro-economic factors, such as interest rates, petrol prices, confidence around employment and consumer attitudes to spending."

The company also reiterated that it expects sales to grow in the upper single digits during the period, excluding gasoline sales. It said it still expects earnings before interest and tax to continue to grow faster than sales in fiscal 2010.

The supermarket giant, which calls itself the "fresh food people", is contending with rival **Wesfarmers** Ltd.'s turnaround of its Coles supermarkets division. Wesfarmers is focused on developing a competitive fresh food offering while at the same time, **Metcash** Ltd., a wholesaler, has been building a national distribution network to increase the availability of fresh food at IGA supermarkets.

"Perhaps we're starting to see customers moving to freshly refurbished Coles stores," said **IG Markets Research** analyst Ben Potter in an emailed comment.

"Either way, we're probably seeing the effects of lower levels of stimulus within the economy," he said.

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Caterpillar's net dips, orders rise

Mining-equipment business shows strength

By Bob Tita

Caterpillar Inc.'s fourth-quarter earnings plunged by 65%, but the heavy-machinery maker said it is seeing demand pick up.

The Peoria, Ill., company reported rising orders for mining equipment because of rebounding commodity prices. The world's largest construction machinery company said it's seeing improving demand from China, as well as in North America, Europe and Japan.

"We're encouraged by signs of improving demand," Chairman and Chief Executive Jim Owens said.

Caterpillar expects to benefit this year from dealers replenishing inventories after they cleaned out about $4 billion worth of machinery and engines in 2009. Caterpillar's production rate last year ran far below retail sales volumes to allow its dealers to shed unsold inventory.

"We're encouraged by signs of improving demand," Chairman and Chief Executive Jim Owens said. "Dealer sales to end users are up, order rates are up, dealer inventories came down in 2009, and we're seeing stronger service parts sales. As a result, we are focused on increasing production levels in our plants and with our suppliers."

Nonetheless, Caterpillar forecast 2010 earnings below Wall Street estimates. The company sees earnings of about $2.50 a share on a revenue increase of 10% to 25%. Analysts surveyed by Thomson Reuters expected a profit of $2.71 a share on 11% revenue growth.

For the fourth quarter, Caterpillar reported a profit of $232 million, or 36 cents a share, down from $661 million, or $1.08 a share, a year earlier. Results for the latest quarter included charges of 5 cents a share.

Revenue dropped 39% to $7.9 billion. Both earnings and revenue fell short of the average analyst estimates.

Machinery and engine sales dropped 41% in the fourth quarter, while the company's financial arm saw a 12% decrease in financial-products revenue.

For 2009, the company's earnings dropped 75% from 2008. Overall revenue plunged 37% last year, prompting the company to trim its work force by more than 20,000 employees and idle assembly lines and factories.

—Nathan Becker contributed to this article.

Bloomberg News

Boeing last year cut production of its 777 jet as airlines struggled. A technician assembled a 77 engine last week.

Boeing to keep output steady

By Ann Keeton

Boeing Co. said it doesn't plan further cuts to commercial-aircraft production, even though airlines remain cautious about placing orders.

The Chicago-based company last year cut 2010 production for its large 777 commercial jet as the airline industry struggled with falling revenue and scarce financing to buy new aircraft. Industry observers have expected Boeing this year would cut production on its best-selling 737 model. Though Boeing doesn't expect to reduce production, it did forecast additional job cuts.

Boeing's statements Wednesday came as the company reported a fourth-quarter profit, reversing a loss last year when it was hampered by a machinists' strike.

Commercial-plane earnings have been weighed down by charges from delays on the company's 787 and 747-8 programs. The 787 Dreamliner finally made its first flight in December, two years later than first anticipated.

Boeing said it expects to earn between $3.70 and $4.00 a share this year, short of the $4.26 forecast by analysts.

Boeing's shares nevertheless were up 4% late morning in New York.

"The key piece of information is management's guidance for operating cash flow to exceed $5 billion in 2011, as we have not been expecting cash to bounce back so fast," J.P. Morgan analyst Joe Nadol wrote in a research note. Boeing doesn't plan to generate operating cash flow this year. Progress on the Dreamliner and healthy commercial aircraft production could help generate better-than-expected cash flow next year, the analyst said.

Boeing has leaned on its defense business to offset weakness from sales of commercial aircraft. But the Pentagon's plan to trim some of Boeing's defense programs has led the company to look for opportunities in the international and cybersecurity markets.

Boeing posted a profit of $1.27 billion, or $1.75 a share, for the fourth quarter, compared with a year-earlier loss of $86 million, or 12 cents a share. The previous period included 70 cents in charges.

Revenue increased $17.94 billion, up 42% from the year earlier's strike-battered sales.

GM reaches deal to sell Saab to Spyker Cars

By Sharon Terlep And Michael Corkery

General Motors Co. ended weeks of uncertainty about its Saab division, announcing a deal Tuesday to sell the Swedish company to Dutch sports-car maker **Spyker Cars** NV.

Spyker, which makes only a few dozen exotic cars a year, agreed to pay GM at least $74 million in cash, Spyker said, while the European Investment Bank will provide a €400 million ($566 million) loan guaranteed by the Swedish government.

As part of the deal, GM would retain redeemable shares of $326 million in Saab, Spyker said.

Spyker "has a sustainable business plan and GM is receiving fair value for Saab," John Smith, GM's vice president of planning and alliances, said in a conference call.

"I expect production volumes over 100,000 cars a year in the not too distant future," Spyker Chief Executive Victor Muller said at a news conference. Such output should ensure Saab's return to profitability, he said.

GM paid $600 million to acquire half of Saab's car division in 1989, and bought the other half a decade later. Saab has lost money for many years as its sales have declined.

Separately Tuesday, GM said it will invest $246 million to design and develop electric motors, a move to gain control of a key technology needed for hybrid and battery-powered vehicles. Funding will come partly from a $105 million U.S. Department of Energy grant GM received in August.

The motors will be made at a GM plant in White Marsh, Md.

—Jeff Bennett contributed to this article.

Agence France-Presse/Getty Images

Spyker CEO Victor Muller, left, and Saab chief Jan-Ake Jonsson Tuesday.

CORPORATE NEWS

Sharp expands its TV color palette

By Daisuke Wakabayashi

TOKYO—While televisions have transformed from bulky and boxy to slim and sleek over the last decade, one thing hasn't changed. The basics of displaying color on TVs still derive from the same three fundamental building blocks: red, green and blue.

In what **Sharp** Corp. is calling a "revolutionary" breakthrough, the company says it has developed a way to add a fourth primary color, yellow, to the mix. By doing so, Sharp says its new flagship televisions—hitting the market in two months—will display more than a trillion colors, about 1,000 times more color than current models.

At the Consumer Electronics Show in Las Vegas earlier this month, Sharp introduced the product with banners that read "Hello Yellow!"—though a company spokeswoman said the signs weren't a preview of its upcoming marketing campaign.

Competitors are quick to downplay Sharp's technology. They say more colors don't necessarily result in better picture quality or improved color accuracy. Sharp disagrees, saying it can now accurately reproduce colors difficult to capture on conventional liquid-crystal-display TVs, such as the metallic gold of brass instruments and the emerald blue of a tropical ocean.

Reuters

Sharp's new-model televisions on display this month at the Consumer Electronics Show in Las Vegas.

Selling a new TV technology can be tricky. As displays have improved, TV makers are challenged with trying to explain to consumers the benefit of innovations that aren't obvious to the naked eye. In recent years, LCD-TV makers have increased frame rates, or hertz, to smooth out fast-moving images. But that's been a harder sell than more obvious improvements like a thinner screen.

Color quality is also subjective, without an industry benchmark for comparison. Some consumers prefer TVs to render vivid colors even though they may not necessarily capture the truest color.

"This going to require some education and demonstration or else most people will say 'I don't know what more color does for me,'" says Paul Semenza, a senior vice president at research firm DisplaySearch.

With its television-market share outside of Japan sinking, Sharp is taking the unprecedented step of introducing the new televisions in the U.S. and Europe before its launch in Japan, where it dominates the market. The sets, to be sold under Sharp's Aquos brand, will go on sale in March in North America and Europe, and later this year in Japan.

Outside of Japan, Sharp has lost its footing, struggling to keep pace with the relentless price cuts of discount brands like **Vizio** Inc. It has also given ground to market leader **Samsung Electronics** Co., which has struck gold by creating a new subcategory of TVs branded as LED-TVs, or ultrathin LCD televisions, named for the type of backlights they use.

In North America, Sharp's market share of flat-panel-TV shipments fell to 4.8% in the first three quarters of 2009 from 8.7% in 2007, according to research firm DisplaySearch. Sharp's European market share fell to 3.1% from 4.8% in 2007, while its market share in Japan has held steady at 37.3%.

"We think we can recoup some of the market share we lost with this new technology," Sharp President Mikio Katayama said at a recent meeting with reporters.

Sharp's technological breakthrough stems from a new LCD panel using four-color filters, adding yellow to the standard red, green and blue, for each of the millions of dots on the screen. It also uses an image processor to convert video and allow its televisions to show images in colors beyond what a normal camera can record.

Samsung, the world's biggest television maker, said it has worked on adding yellow as a fourth primary color since 2004. However, it has held off on adopting the TV technology because it didn't create enough of an improvement to warrant an overhaul of its production process.

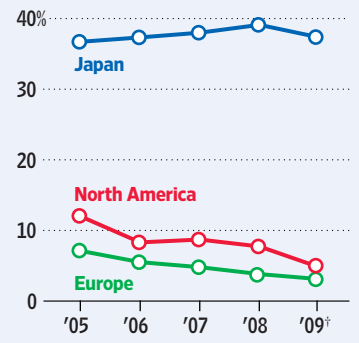
Hyun Suk Kim, a senior vice president of research and development at Samsung's display business, said it has opted to focus on refining its color accuracy instead of just widening its range of colors because a video camera can only capture a "limited amount of color."

The test for Sharp will be whether it can charge more for the technology and avoid the margin-killing price competition that drove it to post its first annual loss in nearly 60 years in the fiscal year ended March 31, 2009. Sharp says the TVs, which incorporate the company's new LCD-panel technology that makes its screens brighter while draining less energy, will range from $1,800 for 40-inch sets to $4,000 for a 60-inch size. Its current high-end 40-inch model sells for $1,400, and its 60-inch model sells for $3,000.

While its marketing plans for the new televisions aren't finalized, Sharp says it doesn't plan to sell the new sets at mass retailers like Wal-Mart Stores Inc. It will instead look to work closely with specialty electronics shops such as Sixth Avenue Electronics and P.C. Richard & Son.

Mixed picture

Sharp's market share of the flat-panel-display TV market*



*Based on shipments †Through September
Source: DisplaySearch

Yahoo earnings rebound as ad business stabilizes

By Jessica E. Vascellaro

Yahoo Inc.'s advertising business showed further signs of stabilizing as the Internet company stemmed its revenue slide and swung to a profit in its latest quarter.

The results signal that an improving advertising climate is giving Carol Bartz, who joined Yahoo as chief executive in January 2009, some breathing room as she takes steps to reenergize the company.

Ms. Bartz had promised to reverse Yahoo's slump by focusing on a few core products, such as its home page and Yahoo Mail. Lately, she has also been pushing to offer higher quality ads.

Yahoo's search-advertising and display-advertising businesses each improved from the company's third quarter, but were down compared with the fourth quarter of 2008. Yahoo's search-ad revenue declined 15% from a year ago, compared with a 19% drop in the third quarter. Its display-advertising revenue fell 1% from a year ago, an improvement from the 8% third-quarter drop.

The Sunnyvale, Calif., company swung to a profit of $153 million, or 11 cents a share, for the fourth quarter from a loss of $303 million, a year earlier. In the 2008 fourth quarter, Yahoo took more than $500 million in write-downs and charges from layoffs and its international business. Revenue declined 4% from a year ago to $1.73 billion, compared with a 12% sales drop in the third quarter.

"The better news here is what's going on in revenue," said Yahoo Chief Financial Officer Timothy Morse, who added that product enhancements like better ad-matching technologies are helping.

Yahoo executives said they were particularly pleased with demand for its display ads, or graphical banner ads. "We're seeing advertisers reach farther into 2010 to book premium Yahoo sites and events," said Ms. Bartz. "So we expect the positive momentum to keep building."

Analysts and investors are continuing to scrutinize Yahoo's Internet search business, which is seeing its market share get eaten up by **Microsoft** Corp.'s Bing search engine. In December, Yahoo's Internet search share declined to 17.3% of U.S. Internet searches from 17.5% in November, according to ComScore Inc., while Microsoft's rose to 10.7% from 10.3% in November.

The company last year announced a search and search-advertising agreement with Microsoft that is pending regulatory approval and is expected to close early this year. Under the deal, Yahoo will earn revenue from search ads sold using Microsoft technology on its site, saving the company overhead instead of running its own Internet search business.

Still, Yahoo can't afford to let its share of search slip away as it faces competition from Microsoft's Bing service, analysts say. "If they continue to lose search share, they're going to see slower [ad] revenue growth," said John Aiken, an analyst with Majestic Research.

Mr. Morse said Yahoo has no plans to give up on search and is expanding the number of searches done through its system while continuing to make more money off each search.

Yahoo's results signal a further rebound for the online advertising market, which was hammered in the recession..

Meanwhile, **Yahoo Japan** Corp. reported a 9% rise in group net profit for the fiscal third quarter ended in December, helped by revenue growth in its business-services segment.

For the October-December period, its net profit climbed to 20.86 billion Japanese yen ($232 million) from 19.13 billion yen a year earlier, thanks to sales growth boosted by a year-end sales campaign on Yahoo Shopping.

Its operating profit for the three months also rose to 36.44 billion yen from 33.15 billion yen.

For the fiscal year ending in March, the Tokyo-based Internet-service firm affiliated with **Softbank** Corp. and Yahoo said it expects net profit to range from 80.97 billion yen to 82.47 billion yen.

The firm's earnings are based on Japanese accounting standards.

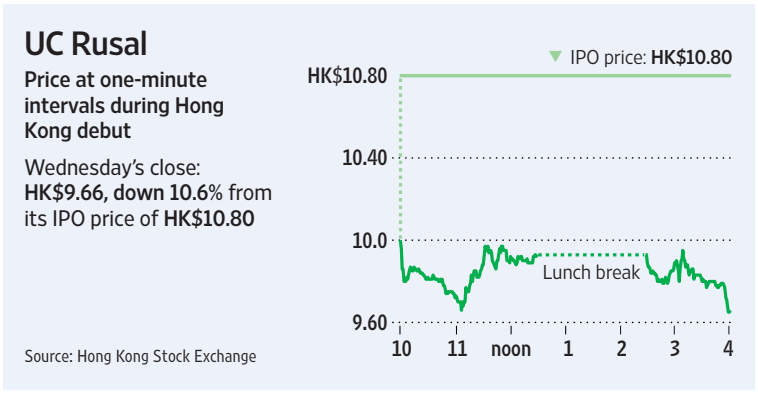
Rusal's Deripaska: Ground shifted under share offering

Continued from page 21

On Wednesday, Rusal shares ended at 9.66 Hong Kong dollars (US$1.24), down from their IPO price of HK$10.80 a share. The benchmark Hang Seng Index finished 0.4% lower at 20033.

Luring an IPO by a large Russian company was a coup for Hong Kong's stock exchange, which is eager to court listings from abroad. But securities regulators, citing the company's high debt load and recent losses, allowed the deal only on the condition that it be restricted to professional and sophisticated investors with at least HK$1 million to invest.

Mr. Deripaska said Hong Kong's exchange and its market regulators were "very professional," something he joked was obvious from the "weight of our book," or Rusal's 1,140-page prospectus. Thirty-two of those pages lay out the many risks the company's shares pose for its investors.



One issue raised in Rusal's prospectus concerns a lawsuit pending in London brought by one of Mr. Deripaska's ex-associates, Mikhail Cherney, who claims that Mr. Deripaska was his partner and owes him a 13% stake in Rusal. Mr. Deripaska disputes the claim.

"The Cherney court case has nothing to do with Rusal," Mr. Deripaska said Wednesday. "It's my personal issue."

Another issue concerns a dispute in the Republic of Guinea over a bauxite mine Rusal acquired there in 2006. Last year, the government of Guinea initiated legal proceedings to declare the acquisition null and void and is seeking $1 billion in compensation, the prospectus notes. On Tuesday, Rusal issued a statement saying its acquisition was in full compliance with Guinean law and the company looked forward to further building its business there.

On Wednesday, Mr. Deripask said Guinea "is struggling with its budget, and the downturn of the economy," which he said may be motivating its efforts to extract money from Rusal. He said "we're the biggest employer in the country" and "we need to have a legitimate government there" to work with. An interim government was installed earlier this month, a staff member at the Guinean honorary consul's office said Tuesday.

Speculation has swirled around the possibility that Rusal might one day merge with Norilsk, forming a metals giant to rival the likes of **Rio Tinto** or **BHP Billiton** PLC. Much of Rusal's debt problems stemmed from the loans taken out to finance the purchase of a 25% stake in Norilsk several years ago.

Mr. Deripaska said he wouldn't be drawn into that speculation. But he noted that he already has close ties with Vladimir Potanin, Norilsk's other major shareholder.

Despite the weak debut, turnover for Rusal's shares was relatively low, a sign that not many investors are selling. And Rusal's shares aren't alone in being hit by recent concerns about the global economy. Recent reports that Chinese banks are pulling back on lending have shaken stocks.

IMF warns about debt in Japan

By Kenneth McCallum

TOKYO—An International Monetary Fund working paper warned that the market's ability to absorb Japanese public bonds will likely diminish in years ahead as the country's population grows older, in a view that could add to market concern about whether Japan's massive debt is sustainable.

Large household savings and a stable domestic institutional investor base have helped keep Japanese government-bond yields steady despite the rapid rise in public debt, said the paper by Kiichi Tokuoka, released Tuesday.

However, Japan's quickly aging population "will likely limit the market's absorptive capacity of public debt," and "shifts in institutional investors' behavior could serve to reduce inflows to the market," the paper said.

Its release comes as worries mount about how long the market will be able to smoothly absorb Japan's debt. Standard & Poor's Ratings Services threatened Tuesday to downgrade Japan's double-A government-debt rating by a notch, saying the new Democratic Party of Japan-led government isn't fixing the nation's bloated finances as fast as expected. Japan's debt burden has climbed to the highest level in the industrialized world as the government spends heavily to try to lift the economy out of a recession.

Japanese officials Wednesday acknowledged the need to keep the debt manageable. Japanese Finance Minister Naoto Kan said the government needs to maintain fiscal discipline in order to keep long-term interest rates at current low levels.

Mr. Kan also said that limiting the volume of new government-bond issuance at 44 trillion yen ($490.9 billion) for the next fiscal year starting April 1 has helped retain bond market trust in the government's fiscal management.

Japan's public debt is projected to exceed 110% of gross domestic product in net terms and will represent 225% of GDP in gross terms, according to the IMF paper.

It said Japan's savings rate is expected to decline as the population ages, likely decreasing the amount of money entering the bond market.

AEGON
EUR 1,000,000,000
Accelerated Bookbuilt Offering
Joint Bookrunner
August 2009 | ABN AMRO

asciano
AUD 2,350,000,000
Placement and Rights Issue
Joint Lead Manager and Underwriter
June 2009

delta lloyd groep
EUR 1,016,000,000
(pre-greenshoe)
Initial Public Offering
Joint Bookrunner
November 2009

Ford
USD 2,875,000,000
Convertible Bond Offering
Joint Bookrunner
November 2009

SAP
EUR 1,500,000,000
Refinancing of RCF
Joint Bookrunner and
Mandated Lead Arranger
September 2009

RioTinto
AUD 4,244,000,000
Rights Issue
Joint Bookrunner
July 2009

noble group
USD 850,000,000
6.75% 144A / Reg S
Senior Notes Due 2020
Joint Bookrunner
October 2009

sanofi aventis
Because health matters.
EUR 1,500,000,000
Notes due 2013
EUR 1,500,000,000
Notes due 2016
Joint Bookrunner
May 2009

SIEMENS
EUR 2,000,000,000
4.125% Fixed Rate Notes
Due February 2013
EUR 2,000,000,000
5.125% Fixed Rate Notes
Due February 2017
Joint Bookrunner
February 2009

Swedbank
USD 1,000,000,000
2.90% Fixed Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
USD 500,000,000
Floating Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
Due Jan 2013
Joint Bookrunner
June 2009

Korea Eximbank
USD 2,000,000,000
Senior Unsecured SEC
Registered Fixed Rate Notes
Due Jan 2014
Joint Bookrunner
January 2009

U. S. Steel
USD 862,500,000
Convertible Bond Offering
USD 692,070,000
27,140,000 Common Shares
(Follow-On Offering)
Joint Lead Manager
April 2009 | ABN AMRO

Walmart
Save money. Live better.
EUR 1,000,000,000
4.875% Fixed Rate Notes
Due 2029
Joint Bookrunner
September 2009

SAN MIGUEL CORPORATION
USD 1,200,000,000
Divestment of 43.25% Interest in
San Miguel Brewery Inc. to Kirin Holdings
Sole Financial Advisor
May 2009

centrica
GBP 1,266,000,000
Acquisition of Venture
Production by Centrica
Joint Financial Advisor
August 2009

VATTENFALL
EUR 9,951,000,000
Advisor to Vattenfall on the
Acquisition of Nuon
Financial Advisor
July 2009

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Two Fidelity managers are suspended in probe

By Ellen Sheng

HONG KONG—**Fidelity International** Ltd. has suspended two Hong Kong-based portfolio managers for a possible breach of the company's code of ethics and started an investigation into the issue.

The fund manager didn't disclose the reason behind the suspensions.

The two suspended managers, Kevin Chang and Wilson Wong, managed about US$7.3 billion combined. Mr. Chang mainly oversaw Fidelity's institutional Southeast Asia fund and institutional Asian-Pacific fund, while Mr. Wong mainly oversaw Fidelity's Greater China fund and Asia equity fund. Mr. Chang has been with Fidelity International since 1995 and Mr. Wong since 2000. Messrs. Chang and Wong weren't available for comment.

The funds have been reassigned to other managers within the Asia Pacific Investment team, including Martha Wang, Joseph Tse and Teera Chanpongsang.

Megan Aitken, a spokeswoman for Fidelity International in Hong Kong, said the company is conducting an independent probe of the matter. "We have very strict internal compliance procedures and treat any breach of our internal code of conduct extremely seriously," she said. Hong Kong's Securities and Futures Commission, which has said it is working with Fidelity on the investigation, declined to comment.

Greek concerns hit the euro

By Bradley Davis

NEW YORK—The euro weakened against the dollar and yen, as festering concerns over Greek sovereign debt resurfaced ahead of a decision on key U.S. interest rates.

CURRENCY MARKETS

The cost to insure Greek sovereign debt against default hit a record after the country denied reports of a planned bond sale to China. Investors turned mostly to the safe-haven yen on the news, but also bid the dollar higher.

The U.K. pound also was one of the biggest movers on the day, strengthening on comments from a Bank of England Monetary Policy Committee member that the U.K. economy might be expanding faster than was apparent in data reported on Tuesday.

By midday in New York, the euro was at $1.4046, compared with $1.4079 late Tuesday. The dollar weakened to 89.42 yen from 89.64 yen. The euro weakened to 125.60 yen from 126.20 yen. The dollar strengthened to 1.0473 Swiss francs from 1.0461 francs.

The U.K. pound moved to $1.6193 from $1.6143.

Yields ease in Japan; India bond set

By Tomoyuki Tachikawa

Japanese government-bond yields eased as the stronger yen pushed down Tokyo shares, prompting investors to buy safe-haven assets.

BOND MARKETS

Analysts said bonds should continue to gain favor amid speculation that China's monetary tightening could sap demand for risky investments. Receding expectations for a near-term interest-rate hike by the U.S. Federal Reserve may also help more money flow into the bond market, analysts said.

The benchmark 10-year yield shed 0.005 percentage point to 1.31%.

Some players initially were concerned over whether a downgrade of Japan's debt-rating outlook by Standard & Poor's Ratings Services on Tuesday may accelerate selling. But traders now say S&P's move sent a warning to the government and in turn boosted hopes that Japan will make efforts to maintain fiscal discipline and move ahead with reform.

Thursday, the government will sell 2.6 trillion yen ($29 billion) of two-year bonds with an expected coupon of 0.2%, slightly higher than the current yield. Katsutoshi Inadome, a senior analyst at Mitsubishi UFJ Securities, said the tender will likely go smoothly as speculation lingers that the Bank of Japan may keep taking steps to make financial conditions more accommodative.

Among Asian borrowers, the **Export Import Bank of India** attracted more than $1.5 billion in orders for its $300 million international bond priced late Tuesday, with many investors keen on gaining exposure to a rare credit out of Asia.

"It's the first time that [India's Exim Bank was] in the dollar market with a benchmark deal. It's the first Asian bank bond deal for the year," said Terence Chia, a vice president on the Asia debt syndicate desk of Citigroup Inc., one of the banks that managed the deal. Deutsche Bank co-managed the deal.

Exim Bank priced its bond due February 2015 at 99.658 to yield 4.452%.

FUND SCORECARD

Sector Equity Health Care

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
5	**UTI India Pharma A**	UTI International Ltd	USD	Mauritius	**-0.69**	109.59	18.85	NS
NS	**Atlantis China Healthcare**	Atlantis Investment Management	USD	Ireland Limited	**-0.85**	96.64	-0.21	NS
NS	**Adamant Global Medtech A**	Balfidor Fondsleitung AG	CHF	Switzrlnd	**1.68**	65.73	NS	NS
3	**PF (LUX) Generics I**	Pictet Funds (Europe) S.A.	USD	Luxembrg	**0.07**	52.77	4.28	5.42
NS	**Sigma Life Sciences**	Sigma Fondsforvaltning AS	NOK	Norway	**0.63**	48.89	3.84	NS
5	**Fondsfinans Farmasi-Bioteknologi**	Fondsfinans Kapitalforvaltning ASA	NOK	Norway	**2.11**	45.98	5.92	10.09
5	**APO Medical Opportunities**	IPConcept Fund Management S.A.	EUR	Luxembrg	**-0.90**	45.57	4.08	NS
2	**Lacuna - Adamant Asia Pacific Health**	IPConcept Fund Management S.A.	EUR	Luxembrg	**-2.02**	44.19	-4.33	NS
NS	**Adamant Global Generika A**	Balfidor Fondsleitung AG	CHF	Switzrlnd	**0.22**	41.67	NS	NS
1	**BNP Paribas Santé Confort**	BNP Paribas	EUR	France	**-0.63**	39.56	-6.17	1.47

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/26	EUR	51.19	-6.3	31.8	-24.6
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/26	USD	10.09	-2.7	32.4	-11.4
Am Eq Blend B	US	EQ	LUX	01/26	USD	9.47	-2.9	31.2	-12.3
Am Growth A	US	EQ	LUX	01/26	USD	29.95	-4.1	36.1	-2.1
Am Growth AX	US	EQ	LUX	01/26	USD	32.34	-4.1	36.9	-1.5
Am Growth B	US	EQ	LUX	01/26	USD	25.17	-4.2	34.7	-3.1
Am Growth C	US	EQ	LUX	01/26	USD	27.09	-4.1	35.5	-2.5
Am Growth I	US	EQ	LUX	01/26	USD	33.21	-4.1	37.1	-1.3
Am Income A	US	BD	LUX	01/26	USD	8.50	0.8	26.2	5.9
Am Income A2	US	BD	LUX	01/26	USD	19.26	1.2	26.1	5.8
Am Income A2	OT	OT	NA	01/26	HKD	149.76	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/26	USD	8.51	1.2	26.2	5.8
Am Income B	US	BD	LUX	01/26	USD	8.50	0.8	25.2	5.1
Am Income B2	US	BD	LUX	01/26	USD	16.59	1.1	25.2	5.1
Am Income B2	OT	OT	NA	01/26	HKD	129.00	1.2	NS	NS
Am Income BT	OT	OT	NA	01/26	HKD	66.48	1.2	NS	NS
Am Income BT	US	BD	LUX	01/26	USD	8.55	1.1	25.3	5.1
Am Income C	US	BD	LUX	01/26	USD	8.50	0.8	25.6	5.4
Am Income C2	US	BD	LUX	01/26	USD	24.68	1.1	25.5	5.3
Am Income I	US	BD	LUX	01/26	USD	8.50	0.8	27.0	6.5
Am Value A	US	EQ	LUX	01/26	USD	8.37	-1.9	19.1	-11.1
Am Value B	US	EQ	LUX	01/26	USD	7.70	-1.9	17.9	-12.0
Am Value C	US	EQ	LUX	01/26	USD	8.36	-2.0	18.4	-11.6
Am Value I	US	EQ	LUX	01/26	USD	9.01	-1.9	20.0	-10.4
Emg Mkts Debt A	GL	BD	LUX	01/26	USD	15.57	0.1	43.9	8.1
Emg Mkts Debt A2	GL	BD	LUX	01/26	USD	20.21	0.5	44.0	8.1
Emg Mkts Debt AT	GL	BD	LUX	01/26	USD	15.68	0.5	44.1	8.2
Emg Mkts Debt B	GL	BD	LUX	01/26	USD	15.57	0.1	42.5	7.0
Emg Mkts Debt B2	GL	BD	LUX	01/26	USD	19.45	0.5	42.6	7.1
Emg Mkts Debt BT	GL	BD	LUX	01/26	USD	15.65	0.4	42.5	7.0
Emg Mkts Debt C	GL	BD	LUX	01/26	USD	15.57	0.1	43.3	7.6
Emg Mkts Debt C2	GL	BD	LUX	01/26	USD	19.86	0.5	43.4	7.6
Emg Mkts Debt I	GL	BD	LUX	01/26	USD	15.57	0.1	44.6	8.6
Emg Mkts Growth A	GL	EQ	LUX	01/26	USD	32.42	-6.4	76.2	-11.0
Emg Mkts Growth B	GL	EQ	LUX	01/26	USD	27.46	-6.5	74.5	-11.9
Emg Mkts Growth C	GL	EQ	LUX	01/26	USD	28.10	-6.5	75.4	-11.4
Emg Mkts Growth I	GL	EQ	LUX	01/26	USD	35.97	-6.4	77.6	-10.3
Eur Growth A	OT	OT	LUX	01/26	EUR	9.72	-1.7	28.9	-12.7
Eur Growth A	OT	OT	LUX	01/26	EUR	6.91	-1.7	28.9	-12.7
Eur Growth B	OT	OT	LUX	01/26	EUR	6.21	-1.7	27.8	-13.6
Eur Growth B	OT	OT	LUX	01/26	USD	8.74	-1.7	27.8	-13.6
Eur Growth C	EU	EQ	LUX	01/26	EUR	5.24	-1.7	28.7	-13.0
Eur Growth I	OT	OT	LUX	01/26	USD	10.61	-1.7	30.0	-12.0
Eur Growth I	OT	OT	LUX	01/26	EUR	7.54	-1.7	30.0	-12.0
Eur Income A	OT	OT	LUX	01/26	EUR	6.72	1.8	42.8	5.7
Eur Income A	OT	OT	LUX	01/26	USD	9.45	1.8	42.8	5.7
Eur Income A2	OT	OT	LUX	01/26	EUR	13.15	2.2	42.5	5.7
Eur Income A2	OT	OT	LUX	01/26	USD	18.50	2.2	42.5	5.7
Eur Income AT	EU	BD	LUX	01/26	EUR	6.73	2.3	42.4	5.7
Eur Income B	OT	OT	LUX	01/26	EUR	6.72	1.8	41.9	5.0
Eur Income B	OT	OT	LUX	01/26	USD	9.45	1.8	41.9	5.0
Eur Income B2	OT	OT	LUX	01/26	EUR	12.23	2.2	41.6	4.9
Eur Income B2	OT	OT	LUX	01/26	USD	17.20	2.2	41.6	4.9
Eur Income BT	EU	BD	LUX	01/26	EUR	6.73	2.1	41.6	5.0
Eur Income C	OT	OT	LUX	01/26	EUR	6.72	1.8	42.2	5.2
Eur Income C	OT	OT	LUX	01/26	USD	9.45	1.8	42.2	5.2
Eur Income C2	OT	OT	LUX	01/26	EUR	13.11	2.2	42.0	5.2
Eur Income C2	OT	OT	LUX	01/26	USD	18.44	2.2	42.0	5.2
Eur Income I	OT	OT	LUX	01/26	EUR	6.72	1.8	43.4	6.2
Eur Income I	OT	OT	LUX	01/26	USD	9.45	1.8	43.4	6.2
Eur Strat Value A	OT	OT	LUX	01/26	EUR	8.33	-2.3	32.2	-16.3
Eur Strat Value A	OT	OT	LUX	01/26	USD	11.72	-2.3	32.2	-16.3
Eur Strat Value I	OT	OT	LUX	01/26	EUR	8.53	-2.4	33.3	-15.5
Eur Strat Value I	OT	OT	LUX	01/26	USD	12.00	-2.4	33.3	-15.5
Eur Value A	OT	OT	LUX	01/26	EUR	8.97	-2.5	36.5	-13.3
Eur Value A	OT	OT	LUX	01/26	USD	12.62	-2.5	36.5	-13.3
Eur Value B	OT	OT	LUX	01/26	USD	11.59	-2.6	35.1	-14.1
Eur Value B	OT	OT	LUX	01/26	EUR	8.24	-2.6	35.1	-14.1
Eur Value C	OT	OT	LUX	01/26	USD	12.20	-2.5	35.9	-13.7
Eur Value C	OT	OT	LUX	01/26	EUR	8.67	-2.5	35.9	-13.7
Eur Value I	OT	OT	LUX	01/26	USD	14.57	-2.4	37.6	-12.6
Eur Value I	OT	OT	LUX	01/26	EUR	10.36	-2.4	37.6	-12.6
GI Balanced (Euro) A	OT	OT	LUX	01/26	USD	15.95	-1.1	24.8	-9.0
GI Balanced (Euro) B	OT	OT	LUX	01/26	USD	15.53	-1.2	23.5	-9.9
GI Balanced (Euro) C	OT	OT	LUX	01/26	USD	15.83	-1.1	24.3	-9.2
GI Balanced (Euro) I	OT	OT	LUX	01/26	USD	16.25	-1.1	NS	NS
GI Balanced A	US	BA	LUX	01/26	USD	16.20	-1.7	29.3	-8.8
GI Balanced B	US	BA	LUX	01/26	USD	15.39	-1.8	27.9	-9.7
GI Balanced C	OT	OT	LUX	01/26	USD	15.96	-1.7	28.9	-9.1
GI Balanced C	OT	OT	LUX	01/26	EUR	11.35	-1.7	28.9	-9.1
GI Balanced I	US	BA	LUX	01/26	USD	16.81	-1.6	30.2	-8.2
GI Bond A	US	BD	LUX	01/26	USD	9.35	1.2	15.5	4.7
GI Bond A2	US	BD	LUX	01/26	USD	16.25	1.5	15.5	4.6
GI Bond A2	OT	OT	NA	01/26	HKD	126.35	1.5	15.5	4.6
GI Bond AT	OT	OT	LUX	01/26	HKD	72.78	1.5	15.5	4.7
GI Bond AT	US	BD	LUX	01/26	USD	9.36	1.5	15.5	4.7
GI Bond B	US	BD	LUX	01/26	USD	9.35	1.2	14.3	3.6
GI Bond B2	US	BD	LUX	01/26	USD	14.22	1.4	14.3	3.6
GI Bond B2	OT	OT	NA	01/26	HKD	110.57	1.4	14.3	3.6
GI Bond BT	OT	OT	LUX	01/26	HKD	73.01	1.4	14.3	3.6
GI Bond BT	US	BD	LUX	01/26	USD	9.39	1.4	14.3	3.6
GI Bond C	US	BD	LUX	01/26	USD	9.35	1.2	15.0	4.2
GI Bond C2	US	BD	LUX	01/26	USD	14.10	1.5	15.0	4.2
GI Bond I	US	BD	LUX	01/26	USD	9.35	1.2	16.1	5.2
GI Conservative A	US	BA	LUX	01/26	USD	14.83	-0.3	19.2	-3.0
GI Conservative A2	US	BA	LUX	01/26	USD	16.88	-0.3	19.2	-3.1
GI Conservative B	US	BA	LUX	01/26	USD	14.81	-0.3	18.1	-4.0
GI Conservative B2	US	BA	LUX	01/26	USD	16.02	-0.4	18.0	-4.0
GI Conservative C	US	BA	LUX	01/26	USD	14.81	-0.3	18.6	-3.5
GI Conservative C2	US	BA	LUX	01/26	USD	16.50	-0.4	18.6	-3.5
GI Conservative I	US	BA	LUX	01/26	USD	14.90	-0.3	20.2	-2.3
GI Eq Blend A	GL	EQ	LUX	01/26	USD	11.22	-3.8	37.7	-18.3
GI Eq Blend B	GL	EQ	LUX	01/26	USD	10.52	-3.9	36.3	-19.1
GI Eq Blend C	GL	EQ	LUX	01/26	USD	11.01	-3.9	36.9	-18.7
GI Eq Blend I	GL	EQ	LUX	01/26	USD	11.84	-3.7	38.8	-17.6
GI Growth A	GL	EQ	LUX	01/26	USD	40.12	-4.3	33.6	-19.3
GI Growth B	GL	EQ	LUX	01/26	USD	33.47	-4.3	32.3	-20.1
GI Growth C	GL	EQ	LUX	01/26	USD	38.49	-4.3	33.0	-19.7
GI Growth I	GL	EQ	LUX	01/26	USD	44.58	-4.2	34.7	-18.7
GI High Yield A	US	BD	LUX	01/26	USD	4.38	1.2	59.8	6.1
GI High Yield A2	US	BD	LUX	01/26	USD	9.41	1.6	59.2	6.0
GI High Yield A2	OT	OT	NA	01/26	HKD	73.17	1.6	59.2	6.0
GI High Yield AT	OT	OT	NA	01/26	HKD	33.82	1.6	59.2	6.0
GI High Yield AT	US	BD	LUX	01/26	USD	4.35	1.6	59.2	6.0
GI High Yield B	US	BD	LUX	01/26	USD	4.38	1.2	57.7	4.8
GI High Yield B2	US	BD	LUX	01/26	USD	15.12	1.6	57.7	5.0
GI High Yield B2	OT	OT	NA	01/26	HKD	117.57	1.6	57.7	5.0
GI High Yield BT	OT	OT	NA	01/26	HKD	34.37	1.4	57.6	4.9
GI High Yield BT	US	BD	LUX	01/26	USD	4.42	1.4	57.6	4.9
GI High Yield C	US	BD	LUX	01/26	USD	4.38	1.2	58.9	5.6
GI High Yield C2	US	BD	LUX	01/26	USD	13.94	1.6	58.4	5.5
GI High Yield I	US	BD	LUX	01/26	USD	4.38	1.2	60.9	6.8
GI Thematic Res. A	OT	OT	LUX	01/26	USD	14.06	-4.5	73.8	1.1
GI Thematic Res. B	OT	OT	LUX	01/26	USD	12.29	-4.7	72.1	0.1
GI Thematic Res. I	OT	OT	LUX	01/26	USD	15.69	-4.5	75.3	1.9
GI Value A	GL	EQ	LUX	01/26	USD	10.77	-3.3	42.1	-17.3
GI Value B	GL	EQ	LUX	01/26	USD	9.88	-3.5	40.5	-18.1
GI Value C	GL	EQ	LUX	01/26	USD	10.46	-3.4	41.4	-17.6
GI Value I	GL	EQ	LUX	01/26	USD	11.45	-3.4	43.1	-16.6
Greater China A	AS	EQ	LUX	01/26	USD	36.90	-7.8	58.0	-13.7
Greater China B	AS	EQ	LUX	01/26	USD	32.63	-7.9	56.4	-14.6
Greater China C	AS	EQ	LUX	01/26	USD	36.43	-7.8	57.4	-14.1
India Growth A	OT	OT	LUX	01/25	USD	123.82	-2.4	NS	NS
India Growth AX	OT	OT	LUX	01/25	USD	108.25	-2.4	101.5	-6.3
India Growth B	OT	OT	LUX	01/25	USD	129.62	-2.5	NS	NS
India Growth BX	OT	OT	LUX	01/25	USD	92.47	-2.5	99.5	-7.2
India Growth I	EA	EQ	LUX	01/25	USD	112.22	-2.4	102.3	-5.9
Int'l Health Care A	OT	EQ	LUX	01/26	USD	138.23	0.6	19.1	-4.8
Int'l Health Care B	OT	EQ	LUX	01/26	USD	116.51	0.5	17.9	-5.7
Int'l Health Care C	OT	EQ	LUX	01/26	USD	132.43	0.5	18.6	-5.2
Int'l Health Care I	OT	EQ	LUX	01/26	USD	151.11	0.6	20.1	-4.0
Int'l Technology A	OT	EQ	LUX	01/26	USD	105.36	-4.5	49.3	-6.4
Int'l Technology B	OT	EQ	LUX	01/26	USD	91.23	-4.6	47.8	-7.3
Int'l Technology C	OT	EQ	LUX	01/26	USD	101.78	-4.6	48.6	-6.8
Int'l Technology I	OT	EQ	LUX	01/26	USD	118.20	-4.5	50.5	-5.6
Japan Eq Blend A	JP	EQ	LUX	01/26	JPY	6048.00	0.4	28.1	-17.9
Japan Eq Blend B	JP	EQ	LUX	01/26	JPY	5832.00	0.3	26.8	-18.7
Japan Eq Blend C	JP	EQ	LUX	01/26	JPY	5950.00	0.4	27.5	-18.3
Japan Growth A	JP	EQ	LUX	01/26	JPY	5807.00	-1.1	18.5	-18.8
Japan Growth B	JP	EQ	LUX	01/26	JPY	5599.00	-1.2	17.4	-19.6
Japan Growth C	JP	EQ	LUX	01/26	JPY	5712.00	-1.2	18.0	-19.2
Japan Strat Value A	JP	EQ	LUX	01/26	JPY	6239.00	1.9	37.7	-17.5
Japan Strat Value B	JP	EQ	LUX	01/26	JPY	6022.00	1.9	36.3	-18.3
Japan Strat Value C	JP	EQ	LUX	01/26	JPY	6133.00	1.9	37.1	-17.9
Real Estate Sec. A	OT	EQ	LUX	01/26	USD	13.69	-4.6	45.6	-14.6
Real Estate Sec. B	OT	EQ	LUX	01/26	USD	12.50	-4.7	44.2	-15.4
Real Estate Sec. I	OT	EQ	LUX	01/26	USD	14.71	-4.6	46.8	-13.9
Short Mat Dollar A	US	BD	LUX	01/26	USD	7.31	0.6	11.9	-5.3
Short Mat Dollar A2	US	BD	LUX	01/26	USD	9.87	0.8	11.7	-5.4
Short Mat Dollar AT	US	BD	LUX	01/26	USD	7.31	0.8	11.7	-5.4
Short Mat Dollar B	US	BD	LUX	01/26	USD	7.31	0.6	11.4	-5.8
Short Mat Dollar B2	US	BD	LUX	01/26	USD	9.82	0.8	11.2	-5.8
Short Mat Dollar BT	OT	OT	LUX	01/26	USD	7.33	0.8	NS	-6.1
Short Mat Dollar C	US	BD	LUX	01/26	USD	7.31	0.6	11.4	-5.8
Short Mat Dollar C2	US	BD	LUX	01/26	USD	13.88	0.8	11.2	-5.8
Short Mat Dollar I	US	BD	LUX	01/26	USD	7.31	0.6	12.5	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/25	USD	103.58	3.6	25.9	22.7
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	11/30	SEK	612.68	12.3	10.4	-17.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	01/19	USD	44.27	8.6	-47.4	-3.7
Superfund GCT USD*	GL	EQ	LUX	01/19	USD	2393.00	9.0	-34.9	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/19	USD	1046.18	8.5	-3.9	5.4
Superfund Green Gold B (SPC)	OT	OT	CYM	01/19	USD	1035.58	10.7	-18.2	2.2
Superfund Q-AG*	OT	OT	AUT	01/19	EUR	6928.00	4.6	NS	3.5
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Caterpillar, U.S. Steel tumble; Boeing gains

By Peter A. McKay

Worse-than-expected housing data and a drop in earnings at **Caterpillar** fueled fears about the broader U.S. economy Wednesday, prompting a stock-market pullback.

The Dow Jones Industrial Average was down 36.42%, or 0.4%, at 101578.87 in midday trade, led by a 6.8% decline in component Caterpillar, which reported a sharp decline in fourth-quarter earnings. Among the Dow's other big losers were **Alcoa**, off 2.5%, and **United Technologies**, off 2.1%.

ABREAST OF THE MARKET

The Standard & Poor's 500-share index was recently down 0.4%, led by a a weaker basic-materials sector. **U.S. Steel** was among the category's big losers, off 6.2% after Goldman Sachs cut the steel maker's shares to a "neutral" rating from "buy."

The Nasdaq Composite Index was off just fractionally, tempered by a 0.7% rise in **Yahoo**, which announced that it had swung to a fourth-quarter profit following year-earlier charges.

The selling comes at a time when U.S. investors have generally been in a more cautious mood, nervous about the pace of global recovery and possible new restrictions on Wall Street. Many traders and analysts believe that a broader correction is under way, though few are calling for anything more than a traditional pullback that sees major indexes retreat about 10% from their recent highs.

American International Group, which traded lower early in the session rebounded to post a 0.5% gain. Its bailout is the subject of a hearing being held Wednesday by the U.S. House of Representatives's Committee on Oversight and Government Reform.

Boeing was up 5.4% after it announced it had swung to a fourth-quarter profit, recovering from a machinists' strike last year.

European stocks

Markets fell amid rising concerns about the fiscal problems bedeviling Greece and Portugal.

The pan-European Stoxx 600 index fell 0.8% to 247.31, its fifth loss in six sessions. The U.K.'s FTSE 100 index shed 1.1% to 5217.47, while France's CAC-40 index lost 1.2% to 3759.80. Germany's DAX fell 0.4% to 5643.20.

Banks were sharply lower, with **BBVA** losing 6.7% in Madrid on disappointing earnings. BBVA's Spanish rival **Santander** fell 5%, while Barclays dropped 3.1% in London..

Greek banks were under notable pressure, with **Alpha Bank** shares down 7.9%. That weighed on the Greek ASE Composite Index, which fell 3.9% to 1972.93.

In Portugal, **BCP** fell 2.1% as the PSI-20 lost 0.7% to 8040.16.

Tullow Oil shares fell 4.6% as the oil producer sold shares and said 2010 production would be less than that of 2009.

Treasurys rise as Greek woes spur buying

By Kelly Nolan

NEW YORK—U.S. Treasury prices were higher Wednesday after December new-home sales unexpectedly fell and as worries over Greece's fiscal problems resurfaced.

The prices remained higher after decent demand for an early afternoon $42 billion five-year-note sale. The yield came in at 2.37%, compared with the 2.736% just before the 1 p.m. auction. The bid-to-cover ratio was 2.8, compared with 2.59 in December and 2.81 in November.

U.S. CREDIT MARKETS

The indirect bid, a proxy for demand from foreign buyers including central banks, was 53%, compared with 44% in December and 60.9% in November. The average was 51.1% for the last four auctions. The direct bid, a category of bids from non-primary dealers, banks, money managers and depository institutions who have direct accounts to submit bids to the Treasury auctions, was 7%, compared with 13% in December and 2.9% in November.

A report released in the morning showed that single-family home sales decreased 7.6%, shaking investors' faith in the economic recovery and sending them into the perceived safety of bonds.

In late morning trade, the two-year Treasury note was up 3/32 to 100 2/32 to yield 0.8276%. The 10-year note was 10/32 higher at 98 7/32 to yield 3.5919%.

Asia shares sink on fears over lending and rates

By Shri Navaratnam And Wei-Zhe Tan

Asian stock markets dropped again Wednesday, with concerns about Chinese bank-lending restrictions sending Hong Kong and Shanghai shares lower.

Indian and Australian stocks fell sharply on fears of monetary tightening, with banks and materials shares hit hard. Both markets reopened after holidays Tuesday. Regional sentiment was also hurt after U.S. stocks surrendered early gains overnight to finish down slightly.

ASIAN-PACIFIC STOCKS

Asian mining and metals shares declined as commodity prices weakened. **BHP Billiton** slid 2.3% and **Rio Tinto** slumped 4.7% in Sydney, while **Hindalco Industries** lost 5.7% in Mumbai. **Aluminum Corp. of China** dropped 3.4% and **Zhaojin Mining Industry** lost 3.2% in Hong Kong.

In Shanghai, the composite index slid 1.1% to 2986.61. Banks dropped on continued concerns over lending restrictions, after reports in recent days that three major banks–**Industrial & Commercial Bank of China**, **Bank of China** and **China Citic Bank**—had suspended lending. Bank of China fell 1.2% in Shanghai and 0.3% in Hong Kong; China Citic Bank lost 3.2% in Shanghai and 2.5% in Hong Kong, and ICBC fell 1.8% in Shanghai, though it managed a 0.2% gain in Hong Kong.

Hong Kong's Hang Seng Index slipped 0.4% to 20033.07, its 11th decline in 12 sessions. Russian aluminum giant **Rusal** had a weak debut in Hong Kong, ending the day at 9.66 Hong Kong dollars (US$1.24), 11% below its initial-public-offering price of HK$10.80.

In Tokyo, the Nikkei Stock Average of 225 companies declined 0.7% to 10252.08. **Toyota Motor** sank 4.3% after the company's U.S. division suspended sales of eight models recalled to fix potential problems with sticky accelerator pedals.

In Sydney, the S&P/ASX 200 fell 1.6% to 4644.64. Government data showed the fourth-quarter consumer-price index rose at a slightly higher-than-expected rate, raising fears the Reserve Bank of Australia will increase interest rates after its meeting next week. **Westpac Banking** shed 2.4% and **Bendigo & Adelaide Bank** gave up 1.2%.

In Mumbai, the Sensex tumbled 2.9% to 16289.82, ahead of the Reserve Bank of India's quarterly monetary-policy review Friday, where the central bank is widely expected to increase banks' reserve ratios to control inflation. **State Bank of India** tumbled 5.1% and **ICICI Bank** lost 5%.

In Seoul, the Kospi declined for the fourth consecutive day, falling 0.7% to 1625.48 as China's tightening moves weighed on shares. The index briefly dipped to an intraday low of 1620.55 after news broke that North and South Korea exchanged fire near their disputed sea border early in the morning.

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Allianz Global Investors

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/27	EUR	49.41	-5.3	41.9	-8.1
Industria AE	EU	EQ	DEU	01/27	EUR	70.43	-1.5	35.6	-12.8
InternRent AE	EU	BD	DEU	01/27	EUR	36.64	4.0	3.8	10.4

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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	01/15	USD	286509.90	4.4	107.0	5.9

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/15	USD	1260.72	1.4	22.4	-7.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/25	JPY	15087.02	-2.9	69.5	4.0
GAM Asia Equity Hedge US	OT	OT	VGB	01/25	USD	282.10	-2.8	72.3	5.5
GAM Asia Equity USD	OT	OT	VGB	01/26	USD	604.01	-7.6	69.6	-10.7
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/26	USD	1292.35	0.7	29.4	-8.2
GAM Com Glb Bal EUR Op	US	BA	VGB	01/18	EUR	96.46	2.2	18.0	-6.8
GAM Com Glb Bal USD Op	US	BA	VGB	01/18	USD	130.62	2.2	18.0	-6.8
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/18	EUR	99.65	2.9	27.5	-12.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/18	USD	131.18	2.9	27.5	-12.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/18	EUR	87.30	2.2	19.7	-10.3
GAM Comp Glb Gr USD Op	US	BA	VGB	01/18	USD	129.91	2.2	19.7	-10.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/22	USD	240.75	-3.2	37.5	-7.6
GAM Cross Trading Inc	OT	OT	VGB	01/18	USD	466.75	0.2	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/18	CHF	94.64	0.3	3.8	-6.6
GAM Diversity EUR Op	OT	OT	VGB	01/18	EUR	651.02	0.4	4.6	-5.0
GAM Diversity USD 2.5XL	OT	OT	VGB	01/18	USD	78.96	0.9	8.4	NS
GAM Diversity USD Op	OT	OT	VGB	01/18	USD	683.63	0.4	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/18	CHF	99.76	0.3	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/18	EUR	139.17	0.3	4.1	-5.1
GAM Dvrsty II USD Op	OT	OT	VGB	01/18	USD	210.79	0.3	NS	-5.4
GAM DvrstyIII EUR Op	OT	OT	VGB	01/18	EUR	115.90	0.3	4.1	-5.3
GAM DvrstyIII USD Op	OT	OT	VGB	01/18	USD	122.35	0.3	4.2	-5.4
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/25	EUR	220.77	0.9	13.6	-2.4
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/25	USD	204.98	0.8	14.0	-0.9
GAM European Equity USD	OT	OT	VGB	01/25	USD	283.19	-3.4	40.8	-10.7
GAM GAMCO	OT	EQ	VGB	01/19	USD	835.19	3.0	46.0	-6.5
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/25	EUR	97.11	-0.8	13.8	-15.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/25	USD	102.47	-0.7	14.7	-14.5
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/25	USD	254.84	2.0	35.4	-3.3
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/25	USD	280.36	-2.2	109.4	20.0
GAM Intrst Trend II	GL	BD	VGB	01/18	USD	101.98	8.3	50.3	-5.9
GAM Intrst Trend Inc	OT	OT	VGB	01/18	USD	272.16	8.2	62.5	-3.5
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/25	EUR	125.50	7.5	14.4	-0.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/25	USD	129.95	6.5	20.6	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/25	JPY	8943.37	6.4	18.7	-11.8
GAM Japan USD	JP	EQ	VGB	01/26	USD	1153.57	4.6	25.2	-12.5
GAM Japan YEN	JP	EQ	VGB	01/26	JPY	9093.35	3.0	29.1	-18.2
GAM Money Mkt EuroOp	EU	MM	VGB	01/25	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/25	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/18	EUR	112.02	0.7	-0.1	-9.0
GAM Multi-Arb USD Op	OT	OT	VGB	01/18	USD	116.95	0.8	0.1	-9.3
GAM Multi-China EUR Op	OT	OT	VGB	01/18	EUR	170.82	1.7	14.5	-5.4
GAM Multi-China USD Op	OT	OT	VGB	01/18	USD	179.57	1.7	15.1	-6.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/18	GBP	133.88	1.8	26.2	-1.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/18	USD	662.56	1.8	26.2	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/18	EUR	271.20	0.9	7.7	-8.1
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/18	EUR	139.54	0.9	7.6	-8.2
GAM Multi-Eur II USD Op	OT	OT	VGB	01/18	USD	114.03	0.8	7.2	-9.2
GAM Multi-Eur USD Op	OT	OT	VGB	01/18	USD	471.70	0.9	7.3	-9.1
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/18	EUR	134.47	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/18	USD	218.87	0.3	11.6	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/18	EUR	145.11	1.2	6.5	-3.3
GAM Multi-Pac USD Op	OT	OT	VGB	01/18	USD	167.38	1.2	6.5	-3.7
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/15	USD	2721.43	3.2	66.0	10.8
GAM Sing/Malaysia	AS	EQ	VGB	01/25	USD	2490.60	-1.4	62.8	-8.8
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/18	GBP	238.01	3.5	39.8	4.6
GAM Trading EUR Inc	OT	OT	VGB	01/18	EUR	325.76	0.2	5.2	5.6
GAM Trading USD Inc	OT	OT	VGB	01/18	USD	974.91	0.2	5.4	4.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/18	EUR	139.32	0.2	5.1	5.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/18	USD	316.56	0.2	5.4	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/18	EUR	147.04	0.2	4.9	5.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/18	USD	154.82	0.2	5.2	4.8
GAM Trdg V IncEUR Op	OT	OT	VGB	01/18	EUR	124.70	0.2	4.9	5.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/18	USD	129.84	0.2	5.1	4.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/18	EUR	157.33	0.2	5.1	5.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/18	USD	162.82	0.2	5.2	4.8
GAM USDSpecBondInc	US	BD	VGB	01/18	USD	557.68	5.2	70.5	9.0
GAM Worldwide	GL	EQ	VGB	01/25	USD	2163.66	-2.8	40.7	-7.9
GAMut Investments	OT	OT	VGB	01/20	USD	7685.65	1.4	4.4	8.8

■ GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/25	CHF	10.62	-3.8	54.6	-11.6
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/25	EUR	11.56	-3.0	60.4	-6.7
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/25	GBP	1.49	-4.7	48.6	1.3
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/25	USD	12.85	-4.2	75.4	-8.1
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/26	EUR	103.37	2.2	29.1	-9.9
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/26	EUR	100.04	2.2	29.1	-9.9
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/25	EUR	10.72	-2.5	29.9	-6.5
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/25	EUR	179.15	-2.1	30.9	-9.3
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/25	EUR	163.70	-2.1	30.8	-9.3
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/25	USD	15.46	-3.3	42.9	-10.6
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/25	USD	14.02	-3.3	42.9	-10.6
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/25	USD	5.42	-1.2	43.3	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/25	EUR	94.45	7.4	19.9	-7.7
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/25	EUR	94.45	7.4	19.9	-7.7
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/25	JPY	968.04	5.1	30.2	-17.1
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/25	USD	11.84	6.5	25.0	-11.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/25	USD	2177.78	-2.7	41.6	-7.4

Manulife Wealth Management 宏利財富管理

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	01/27	USD	14.82	-3.0	29.2	-10.0
American Growth AA	US	EQ	LUX	01/27	USD	0.85	-3.0	28.8	-7.6
Asian Equity	AS	EQ	LUX	01/27	USD	2.27	-7.4	68.7	-9.5
Asian Equity AA	AS	EQ	LUX	01/27	USD	0.73	-7.5	68.0	-9.8
Asian Sm Cap Equity AA	AS	EQ	LUX	01/27	USD	1.11	-4.0	92.7	-4.1
China Value A	AS	EQ	LUX	01/27	USD	6.43	-9.6	61.9	-6.5
China Value AA	AS	EQ	LUX	01/27	USD	2.02	-9.7	61.5	-6.7
Dragon Growth	AS	EQ	LUX	01/27	USD	1.49	-9.3	63.7	-10.2
Dragon Growth AA	OT	OT	LUX	01/27	HKD	7.27	-9.1	63.6	-11.1
Emg Eastrn Europe A	EU	EQ	LUX	01/27	USD	4.65	0.9	119.9	-14.1
Emg Eastrn Europe AA	EU	EQ	LUX	01/27	USD	2.00	0.9	119.5	-14.3
European Growth	EU	EQ	LUX	01/27	USD	8.86	-3.2	58.9	-15.3
European Growth AA	EU	EQ	LUX	01/27	USD	0.63	-3.2	58.5	-15.5
Global Contrarain AA	GL	EQ	LUX	01/27	USD	0.89	0.6	92.3	NS
Global Property AA	OT	EQ	LUX	01/27	USD	0.65	-4.0	56.2	-12.9
Global Resources AA	OT	EQ	LUX	01/27	USD	1.03	-4.6	43.7	-12.4
Healthcare AA	OT	EQ	LUX	01/27	USD	0.94	-0.4	17.3	NS
India Equity AA	EA	EQ	LUX	01/27	USD	1.02	-6.9	78.3	-17.5
International Growth	GL	EQ	LUX	01/27	USD	2.98	-2.3	27.9	-13.2
International Growth AA	GL	EQ	LUX	01/27	USD	0.69	-2.4	27.6	-13.4
Japanese Growth	JP	EQ	LUX	01/27	USD	2.80	1.6	14.2	-10.6
Japanese Growth AA	JP	EQ	LUX	01/27	USD	0.74	2.2	14.6	-10.5
Latin America Equity AA	GL	EQ	LUX	01/27	USD	1.20	-7.1	92.6	-2.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/27	USD	1.00	0.2	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/27	USD	1.10	-3.5	NS	NS
Russia Equity AA	EE	EQ	LUX	01/27	USD	0.65	5.5	159.2	-18.5
Taiwan Equity AA	AS	EQ	LUX	01/27	USD	0.99	-8.6	87.9	2.0
Turkey Equity AA	EE	EQ	LUX	01/27	USD	0.81	5.0	140.2	-2.7
U.S. Bond AA	US	BD	LUX	01/27	USD	1.13	1.7	18.7	7.5
U.S. Sm Cap Equity AA	US	EQ	LUX	01/27	USD	0.82	0.2	70.4	-7.9
U.S. Special Opportunities	OT	OT	LUX	01/27	USD	0.84	4.1	87.0	4.7
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/27	USD	1.15	0.9	10.2	2.2

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	01/20	USD	135.86	6.7	122.6	3.5

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asia Value Formula Fd-B	AS	EQ	CYM	01/26	USD	7.74	-3.5	97.4	-3.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	01/25	EUR	21.16	2.8	54.9	2.8
Bonds EURO A	OT	OT	LUX	01/25	EUR	41.22	0.4	6.6	4.6
Bonds EUROPE A	OT	OT	LUX	01/26	EUR	39.45	0.9	6.7	4.2
Bonds US OppsCoreplus A	OT	OT	LUX	01/25	USD	37.45	1.5	16.3	8.1
Bonds World A	OT	OT	LUX	01/26	USD	42.18	0.4	10.5	5.0
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/26	USD	9.80	-6.0	75.8	-10.4
Eq. China A	AS	EQ	LUX	01/26	USD	21.55	-10.7	65.6	-12.7
Eq. Concentrated Euroland A	OT	OT	LUX	01/25	EUR	88.92	-4.3	27.1	-15.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/26	EUR	26.51	-1.9	37.4	-13.5
Eq. Emerging Europe A	OT	OT	LUX	01/26	EUR	24.16	2.6	93.5	-20.1
Eq. Euroland A	EU	EQ	LUX	01/25	EUR	10.39	-4.1	26.0	-16.3
Eq. Euroland Small Cap A	OT	OT	LUX	01/26	EUR	141.87	0.5	46.1	-4.7
Eq. EurolandCyclclsA	EU	EQ	LUX	01/25	EUR	17.41	-2.2	39.2	-10.9
Eq. EurolandFinancialA	OT	EQ	LUX	01/26	EUR	10.74	-5.1	47.2	-18.2
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/25	USD	9.15	-5.5	74.0	-13.3
Eq. Global A	GL	EQ	LUX	01/26	USD	27.10	-2.7	37.6	-10.7
Eq. Global Energy A	OT	EQ	LUX	01/26	USD	17.69	-2.5	25.8	-10.4
Eq. Global Resources A	OT	OT	LUX	01/26	USD	103.73	-5.0	45.3	-11.0
Eq. Gold Mines A	OT	EQ	LUX	01/26	USD	28.40	-6.3	35.5	-6.5
Eq. India A	OT	OT	LUX	01/25	USD	127.25	-2.7	91.6	-15.8
Eq. Japan CoreAlpha A	OT	OT	LUX	01/26	JPY	7537.16	3.9	39.7	-7.9
Eq. Latin America A	OT	OT	LUX	01/26	USD	106.42	-8.5	75.5	-9.9
Eq. US Lg Cap Gr A	US	EQ	LUX	01/26	USD	14.79	-3.1	38.6	-8.3
Eq. US Rel Val A	US	EQ	LUX	01/26	USD	20.22	-1.8	36.8	-12.0
Eq. US Sm Cap Val A	US	EQ	LUX	01/26	USD	15.50	-2.8	31.1	-16.6
Money Market EURO A	EU	MM	LUX	01/26	EUR	27.40	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	01/26	USD	15.83	0.0	0.4	1.5

The National Investor

■ THE NATIONAL INVESTOR

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
TNI Mena Real Estate Fund	OT	OT	BMU	01/21	USD	942.77	-1.9	1.9	-30.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/21	AED	5.04	-5.5	13.6	-35.5

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**formerly known as China ABH Shares Fund*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/26	USD	175.82	-5.7	91.3	2.0
VP CLassic - B	AS	EQ	CYM	01/26	USD	81.92	-5.8	82.4	1.5
VP High Dividend Stk	AS	EQ	CYM	01/25	USD	44.72	-1.6	84.6	4.3

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■ YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	OT	OT	IRL	01/27	JPY	9214.00	-1.2	22.6	-20.2
YMR-N Small Cap Fund	OT	OT	IRL	01/27	JPY	6810.00	-1.9	18.0	-19.2

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	01/27	JPY	5978.00	-2.8	8.6	-23.4
Yuki 77 Growth	JP	EQ	IRL	01/27	JPY	5457.00	-3.3	3.3	-28.2

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/27	JPY	6688.00	-2.0	14.9	-19.4
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/27	JPY	7525.00	-0.2	1.0	-19.3

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/27	JPY	4574.00	-2.1	9.3	-23.5
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/27	JPY	5192.00	-1.1	6.2	-17.7
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/27	JPY	4956.00	-2.9	11.9	-18.6

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/27	JPY	4272.00	-3.3	11.2	-27.5
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/27	JPY	4518.00	-3.2	11.3	-27.3
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/27	JPY	6752.00	-3.1	21.6	-21.9
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/27	JPY	8336.00	-3.2	15.5	-21.4
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/27	JPY	6166.00	-3.0	7.8	-24.1
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/27	JPY	7535.00	-1.3	0.5	-20.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/27	JPY	5091.00	-1.9	13.4	-21.7
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/27	JPY	11293.00	-2.3	9.8	-16.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/27	JPY	7670.00	-3.6	10.8	-26.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/27	JPY	6927.00	-2.9	20.0	-19.6
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/27	JPY	5524.00	-2.2	14.1	-18.7
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/27	JPY	2699.00	-1.0	18.3	-26.0

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	01/27	JPY	5270.00	-2.8	14.8	-20.8

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Turkey	-0.01%	2.0%	95.5%
Japan	-0.91	0.3	14.9
Sweden	0.66	-0.1%	55.5
Netherlands	-0.39	-0.7	33.1
Russia	0.69	-1.6	108.2
Switzerland	-0.37	-2.0	24.2
South Africa	0.53	-2.9	23.0
U.K.	-1.11	-3.5	21.4
Australia	-1.51	-4.5	32.1
Canada	-0.33	-4.6	23.6
France	-1.17	-4.7	23.5
Italy	-1.48	-4.8	23.7
South Korea	-1.10	-4.9	41.7
Spain	-1.89	-5.2	17.2
Germany	-0.74	-5.6	19.3
Singapore	-1.32	-7.0	54.5
Hong Kong	-0.47	-8.6	54.1
Brazil	-0.99	-11.4	87.0
China 88	-1.79	-11.4	46.7

Dow Jones Regional Sector Titans

Travel Leisure	-0.47%	2.9%	26.5%
Pers H'hold Gds	0.20	1.8	27.6
EU Enlarged†-p	-1.54	1.4	54.0
Nordic 30 -p	-0.35	-0.8%	38.5
Arab 50	-0.70	-0.8	22.5
Asian 50	-1.19	-1.2	38.2
Stoxx 50 -p	0.64	-2.7	28.1
Global 50	-0.43	-3.3	24.1
Euro Stoxx 50 -p	0.73	-4.6	27.1
Tiger 50*	-0.64	-7.1	64.2

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Seven I Hldgs	Japan	Broadline Retailers	$20.1	1,985	3.12%	-20.0%	-45.3%
Japan Tobacco	Japan	Tobacco	35.9	334,000	2.77	30.1	-42.4
QBE Ins Grp	Australia	Reinsurance	21.4	23.28	1.62	-2.4	-24.4
East Japan Railway	Japan	Travel Tourism	27.6	6,230	1.47	-1.1	-25.6
KDDI	Japan	Mobile Telecommunications	24.2	488,000	1.14	-15.1	-42.9
RioZim Ltd	Australia	General Mining	$38.0	69.90	-4.69%	116.3	15.6
Toyota Motor	Japan	Automobiles	130.6	3,705	-4.26	24.3	-53.4
KB Fncl Group	South Korea	Banks	16.5	49,650	-4.15	44.2	-31.8
POSCO	South Korea	Iron Steel	36.4	555,000	-2.97	52.1	68.4
Shinhan Financial Grp	South Korea	Banks	16.1	39,250	-2.97	47.7	-17.5

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokyo Elec Power Japan (Conventional Electricity)	36.9	2,443	0.87%	-12.3%	-40.6%
Nintendo Japan (Toys)	36.8	25,680	0.59	-19.3	-27.9
Mizuho Financial Grp Japan (Banks)	29.0	184.00	0.55	-21.0	-78.9
Takeda Pharm Japan (Pharmaceuticals)	35.5	4,020	0.50	-4.5	-48.9
Sumitomo Mitsui Finl Japan (Banks)	33.0	2,921	0.38	-13.1	-76.3
Mitsubishi UFJ Finl Japan (Banks)	73.6	473.00	0.21	-6.0	-67.6
Indl Comm Bk China Hong Kong (Banks)	60.0	5.62	0.18	73.5	24.1
China Mobile (HK) Hong Kong (Mobile Telecommunications)	188.9	73.90	0.14	8.0	3.2
PetroChina Hong Kong (Integrated Oil Gas)	24.0	8.86	...	58.8	-7.4
China Life Ins Hong Kong (Life Insurance)	32.4	33.85	...	70.1	48.5
Kansai Elec Power Japan (Conventional Electricity)	22.3	2,088	-0.10	-11.3	-38.2
Nippon T&T Japan (Fixed Line Telecommunications)	57.2	3,860	-0.13	-14.0	-35.9
China Constr Bk Hong Kong (Banks)	171.6	5.94	-0.17	61.0	29.1
CNOOC Hong Kong (Exploration Production)	63.3	11.02	-0.18	69.5	66.0
Shin-Etsu Chml Japan (Specialty Chemicals)	22.9	4,820	-0.21	15.0	-38.5
NTT DoCoMo Japan (Mobile Telecommunications)	64.0	137,000	-0.36	-14.4	-25.5
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.0	2,499	-0.44	5.2	-42.0
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	48.1	59.60	-0.83	49.0	-10.2
National Australia Bk Australia (Banks)	49.4	26.30	-0.90	46.0	-34.9
Commonwlth Bk of Aus Australia (Banks)	74.4	54.63	-0.94	107.6	9.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Cheung Kong Hong Kong (Real Estate Holding Development)	27.9	93.60	-1.06%	38.4%	-9.0%
Westfield Grp Australia (Retail REITs)	25.3	12.21	-1.13	1.9	-45.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.8	54.30	-1.27	47.8	-30.0
Mitsubishi Japan (Industrial Suppliers)	40.5	2,203	-1.34	72.8	-9.7
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.4	101.40	-1.36	54.8	7.3
Aus NZ Bk Australia (Banks)	49.3	21.96	-1.48	66.2	-24.6
Mitsui Japan (Industrial Suppliers)	27.0	1,330	-1.48	37.4	-31.0
Honda Motor Japan (Automobiles)	62.2	3,040	-1.62	38.5	-36.0
Panasonic Japan (Consumer Electronics)	33.1	1,430	-1.72	25.4	-40.4
Samsung Elec South Korea (Semiconductors)	102.0	800,000	-1.84	63.8	38.2
JFE Hldgs Japan (Iron Steel)	19.0	3,205	-1.99	35.5	-52.1
Sony Japan (Consumer Electronics)	32.8	2,940	-2.00	60.1	-47.0
Nissan Motor Japan (Automobiles)	32.5	712.00	-2.06	149.0	-52.8
Nippon Steel Japan (Iron Steel)	24.4	347.00	-2.25	23.5	-51.3
Woodside Petroleum Australia (Exploration Production)	27.7	43.00	-2.27	24.5	15.1
BHP Billiton Australia (General Mining)	121.2	40.30	-2.30	35.0	54.8
Westpac Bking Australia (Banks)	63.5	24.33	-2.37	56.1	-3.0
Woolworths Australia (Food Retailers Wholesalers)	29.6	26.80	-2.47	-0.0	12.8
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.4	133.00	-2.56	159.2	-6.2
Canon Japan (Electronic Office Equipment)	50.0	3,615	-2.82	39.6	-43.1

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.05%	0.10%	1.3%	0.0%	6.6%
Event Driven	-0.36	0.73	2.4	0.6	14.3
Equity Long/Short	-1.40	0.25	1.3	0.6	3.6

*Estimates as of 01/25/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

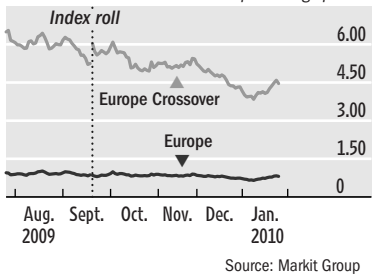
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.81	100.89%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.17	99.22	0.01	1.76	0.92	1.31
Europe Crossover: 12/1	4.46	102.15	0.05	6.15	3.79	4.99
Asia ex-Japan IG: 12/1	1.11	99.50	0.01	1.29	0.87	1.05
Japan: 12/1	1.40	98.11	0.01	1.68	0.99	1.32

Note: Data as of January 26

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Flextronics	278	-14	–1	41
Socialist Rep Vietnam	250	-8	10	14
Rep Indonesia	197	-4	6	4
Sumitomo	77	-4	2	–15
Kajima	361	-3	–13	26
Mizuho Corporate Bk	121	-3	11	16
Sapporo Hldgs	143	-2	1	–2
Kawasaki Heavy Inds	150	-2	6	–3
Mitsui Chems	142	-1	9	21
Yokogawa Elec	84	-1	3	6

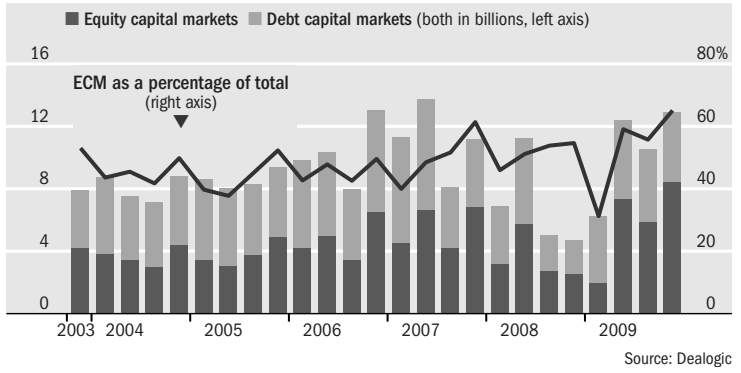
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Expt Import Bk Korea	116	5	15	22
Kawasaki Kisen Kaisha	233	5	6	–22
Woori Bk	138	5	16	23
Fuji Heavy Inds	123	5	6	–9
Takashimaya	99	6	6	1
Citic Pac	139	6	9	–4
Obayashi	207	7	9	12
Sumitomo Rlty Dev	238	8	10	–10
Mitsubishi Chem	124	12	6	8
Orix	280	16	33	15

Source: Markit Group

Behind global deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	359.75	-2.50	-0.69%	712.25	315.50
Soybeans (cents/bu.)	CBOT	937.50	-10.00	-1.06	1,560.00	805.00
Wheat (cents/bu.)	CBOT	488.00	-6.00	-1.21	1,029.25	459.00
Live cattle (cents/lb.)	CME	89.325	-0.850	-0.94	95.175	85.050
Cocoa ($/ton)	ICE-US	3,253	-110	-3.27	3,510	1,994
Coffee (cents/lb.)	ICE-US	135.80	-2.45	-1.77	188.65	115.00
Sugar (cents/lb.)	ICE-US	28.53	-0.77	-2.63	30.10	11.91
Cotton (cents/lb.)	ICE-US	69.45	-0.37	-0.53	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,429.00	22	0.91%	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,222	-87	-3.77	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,327	-20	-1.48	1,710	1,300
Copper (cents/lb.)	COMEX	326.90	-7.05	-2.11	365.00	135.50
Gold ($/troy oz.)	COMEX	1093.00	-4.90	-0.45	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1656.00	-30.00	-1.78	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,184.00	-32.00	-1.44	2,356.50	1,288.00
Tin ($/ton)	LME	17,945.00	195.00	1.10	18,250.00	9,945.00
Copper ($/ton)	LME	7,267.00	-63.00	-0.86	7,695.00	3,145.00
Lead ($/ton)	LME	2,162.00	-30.00	-1.37	2,615.00	995.00
Zinc ($/ton)	LME	2,273.00	-53.50	-2.30	2,659.00	1,086.00
Nickel ($/ton)	LME	17,985	-310	-1.69	21,150	9,475
Crude oil ($/bbl.)	NYMEX	74.54	-0.17	-0.23	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9625	0.0009	0.05	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9820	0.0053	0.27	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.255	-0.175	-3.22	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	72.86	-0.43	-0.59	98.10	49.10
Gas oil ($/ton)	ICE-EU	599.75	-3.75	-0.62	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 27

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3600	0.1866	3.8175	0.2620
Brazil real	2.6148	0.3824	1.8623	0.5370
Canada dollar	1.4974	0.6678	1.0665	0.9376
1-mo. forward	1.4974	0.6678	1.0665	0.9376
3-mos. forward	1.4976	0.6677	1.0666	0.9376
6-mos. forward	1.4977	0.6677	1.0667	0.9374
Chile peso	733.02	0.001364	522.08	0.001915
Colombia peso	2792.02	0.0003582	1988.55	0.0005029
Ecuador US dollar-f	1.4040	0.7122	1	1
Mexico peso-a	18.1698	0.0550	12.9410	0.0773
Peru sol	4.0191	0.2488	2.8625	0.3493
Uruguay peso-e	27.379	0.0365	19.500	0.0513
U.S. dollar	1.4040	0.7122	1	1
Venezuela bolivar	6.03	0.165840	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5660	0.6386	1.1153	0.8966
China yuan	9.5852	0.1043	6.8269	0.1465
Hong Kong dollar	10.9182	0.0916	7.7762	0.1286
India rupee	65.3094	0.0153	46.5150	0.0215
Indonesia rupiah	13198	0.0000758	9400	0.0001064
Japan yen	125.59	0.007963	89.45	0.011180
1-mo. forward	125.57	0.007963	89.44	0.011181
3-mos. forward	125.54	0.007966	89.41	0.011184
6-mos. forward	125.46	0.007971	89.35	0.011192
Malaysia ringgit-c	4.8092	0.2079	3.4253	0.2919
New Zealand dollar	1.9878	0.5031	1.4157	0.7064
Pakistan rupee	118.502	0.0084	84.400	0.0118
Philippines peso	64.832	0.0154	46.175	0.0217
Singapore dollar	1.9722	0.5070	1.4047	0.7119
South Korea won	1628.80	0.0006139	1160.08	0.0008620
Taiwan dollar	45.035	0.02220	32.075	0.03118
Thailand baht	46.397	0.02155	33.045	0.03026

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7122	1.4041
1-mo. forward	1.0001	0.9999	0.7123	1.4040
3-mos. forward	1.0002	0.9998	0.7124	1.4037
6-mos. forward	1.0007	0.9993	0.7128	1.4030
Czech Rep. koruna-b	26.207	0.0382	18.665	0.0536
Denmark krone	7.4443	0.1343	5.3021	0.1886
Hungary forint	273.25	0.003660	194.62	0.005138
Norway krone	8.2251	0.1216	5.8581	0.1707
Poland zloty	4.1050	0.2436	2.9237	0.3420
Russia ruble-d	42.549	0.02350	30.304	0.03300
Sweden krona	10.2633	0.0974	7.3098	0.1368
Switzerland franc	1.4710	0.6798	1.0477	0.9545
1-mo. forward	1.4708	0.6799	1.0475	0.9546
3-mos. forward	1.4702	0.6802	1.0471	0.9550
6-mos. forward	1.4693	0.6806	1.0464	0.9556
Turkey lira	2.1062	0.4748	1.5001	0.6666
U.K. pound	0.8673	1.1531	0.6177	1.6190
1-mo. forward	0.8674	1.1528	0.6178	1.6186
3-mos. forward	0.8678	1.1523	0.6181	1.6179
6-mos. forward	0.8684	1.1515	0.6185	1.6168
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5293	1.8893	0.3770	2.6527
Egypt pound-a	7.6682	0.1304	5.4615	0.1831
Israel shekel	5.2363	0.1910	3.7295	0.2681
Jordan dinar	0.9944	1.0056	0.7083	1.4119
Kuwait dinar	0.4029	2.4822	0.2869	3.4852
Lebanon pound	2116.61	0.0004725	1507.50	0.0006634
Saudi Arabia riyal	5.2655	0.1899	3.7502	0.2667
South Africa rand	10.7110	0.0934	7.6287	0.1311
United Arab dirham	5.1567	0.1939	3.6727	0.2723
SDR -f	0.8994	1.1119	0.6406	1.5611

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
52	**ASIA-PACIFIC**	DJ Asia-Pacific	120.78	-1.41	-1.15%	-1.8%	37.7%
...	Australia	SPX/ASX 200	4644.64	-73.22	-1.55	-4.6	32.9
...	China	CBN 600	26317.16	-336.51	-1.26	-9.4	58.1
19	Hong Kong	Hang Seng	20033.07	-76.26	-0.38	-8.4	59.3
19	India	Sensex	16289.82	-490.64	-2.92	-6.7	76.0
16	Indonesia	Jakarta Composite	2564.554	-13.861	-0.54	1.2	94.1
...	Japan	Nikkei Stock Average	10252.08	-73.20	-0.71	-2.8	26.5
...		Topix	907.67	-8.73	-0.95	...	12.8
...	Malaysia	Kuala Lumpur Composite	1265.77	-17.25	-1.34	-0.6	43.9
16	New Zealand	NZSX-50	3193.573	-15.490	-0.48	-1.1	16.2
9	Pakistan	KSE 100	9603.55	-62.93	-0.65	2.3	86.8
14	Philippines	Manila Composite	2919.48	-36.22	-1.23	-4.4	56.2
...	Singapore	Straits Times	2706.26	-34.07	-1.24	-6.6	53.2
11	South Korea	Kospi	1625.48	-11.86	-0.72	-3.4	40.4
20	Taiwan	Weighted	7560.03	-38.78	-0.51	-7.7	78.0
10	Thailand	SET	690.46	-11.20	-1.60	-6.0	54.0
50	**EUROPE**	DJ Stoxx 600	247.24	-2.17	-0.87	-2.3	27.2
22		DJ Stoxx 50	2488.03	-27.28	-1.08	-3.5	23.1
62	**Euro Zone**	DJ Euro Stoxx	262.07	-3.56	-1.34%	-4.6%	22.8%
20		DJ Euro Stoxx 50	2784.69	-43.05	-1.52	-6.1	19.9
19	Denmark	OMX Copenhagen	327.65	0.63	0.19%	3.8	38.0
20	Finland	OMX Helsinki	6476.61	26.06	0.40	0.3	24.1
19	France	CAC-40	3759.80	-47.24	-1.24	-4.5	22.2
23	Germany	DAX	5643.20	-25.73	-0.45	-5.3	24.9
15	Italy	FTSE MIB	21997.59	-410.12	-1.83	-5.4	19.9
...	Netherlands	AEX	327.26	-2.39	-0.73	-2.4	27.3
...	Russia	RTSI	1446.36	2.03	0.14	1.6	165.3
11	Spain	IBEX 35	11042.2	-305.1	-2.69	-7.5	26.9
13	Switzerland	SMI	6473.03	-11.20	-0.17	-1.1	19.5
...	Turkey	ISE National 100	54071.02	-246.46	-0.45	2.4	102.5
15	U.K.	FTSE 100	5217.47	-59.38	-1.13	-3.6	21.5
21	**AMERICAS**	DJ Americas	288.62	-0.68	-0.24	-2.7	30.9
...	Brazil	Bovespa	64768.23	-755.50	-1.15	-5.6	61.2
...	Argentina	Merval	2302.93	-6.32	-0.27	-0.8	108.6
19	Mexico	IPC	30173.17	-478.39	-1.56	-6.1	51.6

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
		DJ Global Index	220.34	-1.30	-0.58%	-2.9%	34.1%	-7.5%
		Global DOW	1908.90	-11.42	-0.59	-3.8	32.7	-3.9
2.38%		**Asia/Pacific 600**	114.89	-1.24	-1.07	0.2	28.7	-8.0
2.38		**Emerging Markets**	263.17	-2.85	-1.07	-6.0	74.0	1.6
2.38		**Asia/Pacific**	120.78	-1.41	-1.15	-1.8	37.7	-6.3
2.38		**Asia/Pacific ex-Japan**	296.44	-4.26	-1.42	-6.0	73.4	-1.2
2.38		**Southeast Asia**	151.52	-1.35	-0.88	-5.8	78.0	0.0
0.90	27	**CBN China 600** -c	26317.16	-336.51	-1.26	-9.4	58.1	11.0
0.92	30	**Shanghai**	354.07	-4.76	-1.33	-8.7	58.2	11.4
0.62	43	**Shenzhen**	381.41	-2.84	-0.74	-8.4	80.0	17.6
2.42	18	**China Offshore 50**	3667.17	-18.88	-0.51	-10.1	62.6	4.2
7.74	9	**Australia LPT** -c, d	1114.91	-3.36	-0.30	-4.1	14.1	-23.1
2.12%	15	**Islamic Market**	1923.74	-9.06	-0.47%	-2.6%	33.2%	-2.5%
2.41	16	**Islamic Market 100**	2074.05	-7.32	-0.35	-2.2	22.9	-3.1
9.46	16	**Bahrain**	123.27	0.21	0.17	1.3	-12.7	-12.8
3.01	37	**Kuwait**	186.50	-4.24	-2.22	-4.2	3.2	-17.0
2.65	20	**Sustainability**	974.06	-8.53	-0.87	-3.8	34.3	-8.4
2.72	50	**Stoxx 600 -p**	261.85	-0.65	-0.25	-3.8	41.4	-10.0
4.74	17	**Stoxx Select Div 30 -p**	1734.14	-10.56	-0.61	-3.4	41.4	-21.9
3.98	23	**Euro Stoxx Sel Div 30 -p**	2061.00	-9.26	-0.45	-3.1	47.8	-17.5
1.75	30	**DJ U.S. TSM**	11274.16	-7.39	-0.07	-1.9	27.9	-7.7
4.26	15	**U.S. Select Dividend -d**	638.73	-2.95	-0.46	-1.8	20.2	-10.6
4.91		**U.S. REIT**	137.42	-1.48	-1.06	-5.5	20.7	-21.3
		DJ-UBS Commodity -p	133.61	-1.50	-1.11	-4.0	21.1	-6.5

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.115	0.618	1.066	6.827	0.712	7.776	46.515	9400.26	89.445	1.416	1160.08	3.425	46.175	1.405	1.048	32.075	33.045
Australia	0.897		0.554	0.956	6.121	0.639	6.972	41.705	8428.28	80.196	1.269	1040.13	3.071	41.401	1.259	0.939	28.758	29.628
Britain	1.619	1.806		1.727	11.052	1.153	12.589	75.305	15218.56	144.807	2.292	1878.11	5.545	74.755	2.274	1.696	51.928	53.498
Canada	0.938	1.046	0.579		6.401	0.668	7.291	43.615	8814.12	83.868	1.327	1087.74	3.212	43.296	1.317	0.982	30.075	30.985
China	0.1465	0.163	0.090	0.156		0.104	1.139	6.814	1376.95	13.102	0.207	169.93	0.502	6.764	0.206	0.153	4.698	4.840
Euro	1.404	1.566	0.867	1.497	9.585		10.918	65.309	13198.44	125.585	1.988	1628.81	4.809	64.832	1.972	1.471	45.035	46.397
Hong Kong	0.129	0.143	0.079	0.137	0.878	0.092		5.982	1208.85	11.502	0.182	149.18	0.440	5.938	0.181	0.135	4.125	4.250
India	0.0215	0.0240	0.0133	0.0229	0.1468	0.0153	0.1672		202.09	1.9229	0.0304	24.94	0.0736	0.9927	0.0302	0.0225	0.6896	0.7104
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0095	0.0002	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.076	0.008	0.087	0.520	105.10		0.016	12.97	0.038	0.516	0.016	0.012	0.359	0.369
New Zealand	0.706	0.788	0.436	0.753	4.822	0.503	5.493	32.856	6639.88	63.179		819.42	2.419	32.616	0.992	0.740	22.656	23.341
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0401	8.10	0.0771	0.0012		0.0030	0.0398	0.0012	0.0009	0.0276	0.0285
Malaysia	0.292	0.326	0.180	0.311	1.993	0.208	2.270	13.580	2744.40	26.113	0.413	338.68		13.481	0.410	0.306	9.364	9.647
Philippines	0.022	0.024	0.013	0.023	0.148	0.015	0.168	1.007	203.58	1.937	0.031	25.12	0.074		0.030	0.023	0.695	0.716
Singapore	0.712	0.794	0.440	0.759	4.860	0.507	5.536	33.115	6692.25	63.678	1.008	825.88	2.439	32.873		0.746	22.835	23.525
Switzerland	0.954	1.065	0.590	1.018	6.516	0.680	7.422	44.397	8972.29	85.373	1.351	1107.26	3.269	44.073	1.341		30.615	31.541
Taiwan	0.031	0.035	0.019	0.033	0.213	0.022	0.242	1.450	293.07	2.789	0.044	36.17	0.107	1.440	0.044	0.033		1.030
Thailand	0.030	0.034	0.019	0.032	0.207	0.022	0.235	1.408	284.47	2.707	0.043	35.11	0.104	1.397	0.043	0.032	0.971	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 27, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	291.83	-0.70%	**n.a.**	28.2%
2.40	28	**World (Developed Markets)**	1,143.44	-0.48	**n.a.**	24.3
1.80	117	**World Small Cap**	189.09	-0.75	**n.a.**	40.9
2.50	23	**Kokusai (World ex-Japan)**	1,125.88	-0.39	**n.a.**	26.2
2.90	28	**EAFE**	1,548.17	-0.57	**n.a.**	25.1
2.00	20	**Emerging Markets (EM)**	938.06	-2.19	**n.a.**	65.4
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	396.33	-2.04	**n.a.**	60.2
2.00	24	**AC Far East ex-Japan**	423.30	-2.96	**n.a.**	55.2
1.70	35	**Japan**	573.92	-2.00	**n.a.**	8.3
1.90	21	**China**	59.25	-3.51	**n.a.**	45.3
0.80	40	**China A (China Domestic)**	3,084.70	-2.71	**n.a.**	77.8
2.60	24	**Hong Kong**	9,608.73	-1.71	**n.a.**	46.6
0.90	21	**India**	681.06	0.00	**n.a.**	84.5
1.00	17	**Korea**	465.79	-2.16	**n.a.**	51.7
2.40	20	**Malaysia**	471.22	-1.29	**n.a.**	46.7
2.90	18	**Singapore**	1,522.08	-2.92	**n.a.**	52.7
2.50	248	**Taiwan**	275.35	-2.82	**n.a.**	58.8
2.90	19	**Thailand**	284.68	-1.46	**n.a.**	53.8
3.70	26	**Australia**	971.85	0.00	**n.a.**	27.0
5.20	16	**New Zealand**	86.66	1.48	**n.a.**	14.1
1.80	33	**US BROAD MARKET**	1,214.31	-0.46	**n.a.**	23.6
3.20	18	**EUROPE**	86.58	0.48	**n.a.**	24.7

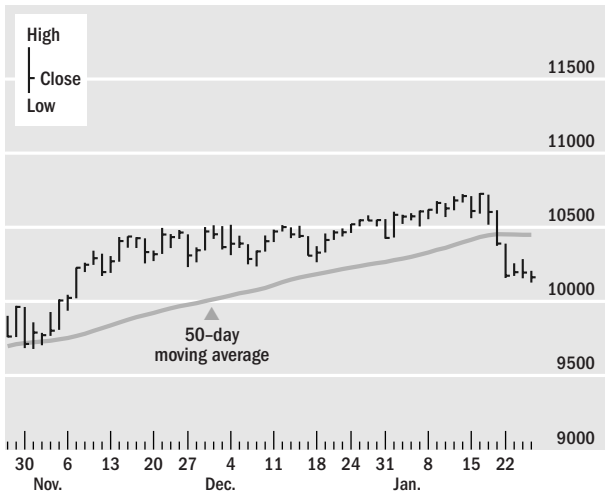
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 17

LAST: **10162.48** ▼ 31.81, or 0.31%
YEAR TO DATE: ▼ **265.57, or 2.5%**
OVER 52 WEEKS ▲ **1,787.03, or 21.3%**



Nasdaq Composite Index P/E: 39*

LAST: **2201.20** ▼ 2.53, or 0.11%
YEAR TO DATE: ▼ **67.95, or 3.0%**
OVER 52 WEEKS ▲ **642.86, or 41.3%**

S&P 500 Index P/E: 47

LAST: **1089.38** ▼ 2.79, or 0.26%
YEAR TO DATE: ▼ **25.72, or 2.3%**
OVER 52 WEEKS ▲ **215.29, or 24.6%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**16.20**	$25.38	0.05	**0.21%**
Alcoa	AA	**20.70**	13.20	-0.34	**-2.51**
AmExpress	AXP	**5.10**	38.24	0.14	**0.37**
BankAm	BAC	**117.30**	15.04	0.27	**1.83**
Boeing	BA	**6.80**	60.83	3.12	**5.41**
Caterpillar	CAT	**19.70**	52.10	-3.75	**-6.71**
Chevron	CVX	**4.40**	73.68	-0.47	**-0.63**
CiscoSys	CSCO	**17.30**	22.88	-0.02	**-0.09**
CocaCola	KO	**3.70**	54.27	0.13	**0.23**
Disney	DIS	**4.40**	29.27	-0.39	**-1.31**
DuPont	DD	**2.20**	32.66	-0.14	**-0.43**
ExxonMobil	XOM	**14.10**	65.47	-0.45	**-0.68**
GenElec	GE	**31.70**	16.18	-0.17	**-1.04**
HewlettPk	HPQ	**7.10**	48.88	-0.86	**-1.73**
HomeDpt	HD	**5.10**	27.80	0.07	**0.25**
Intel	INTC	**26.40**	19.99	-0.01	**-0.05**
IBM	IBM	**3.50**	125.90	0.15	**0.12**
JPMorgChas	JPM	**28.10**	39.02	0.58	**1.51**
JohnsJohns	JNJ	**6.10**	63.19	0.40	**0.63**
KftFoods	KFT	**12.10**	28.30	0.54	**1.95**
McDonalds	MCD	**2.90**	63.74	-0.07	**-0.11**
Merck	MRK	**5.70**	38.26	-0.32	**-0.84**
Microsoft	MSFT	**22.30**	29.45	-0.05	**-0.17**
Pfizer	PFE	**21.30**	18.97	0.19	**1.00**
ProctGamb	PG	**5.90**	60.12	-0.57	**-0.95**
3M	MMM	**1.70**	82.64	1.01	**1.24**
TravelersCos	TRV	**1.80**	50.25	0.02	**0.04**
UnitedTech	UTX	**3.70**	67.33	-1.14	**-1.66**
Verizon	VZ	**14.00**	29.83	-0.34	**-1.13**
WalMart	WMT	**4.80**	53.30	-0.31	**-0.58**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**219.0**	$3.22	$0.07	**2.22%**
BankAm	BAC	**119.0**	15.03	0.26	**1.78**
SPDR S&P 500	SPY	**112.1**	109.10	–0.21	**–0.19**
SPDR FnclSelSct	XLF	**78.4**	14.14	0.13	**0.89**
PwrShrs QQQ	QQQQ	**61.3**	44.32	–0.03	**–0.07**
FordMotor	F	**53.6**	11.41	0.22	**1.97**
iShrMSCIEmrgMkt	EEM	**41.0**	38.68	–0.39	**–0.99**
iShrRu2000	IWM	**35.3**	61.37	0.18	**0.29**
DrxFinancBear 3x	FAZ	**33.1**	20.09	–0.37	**–1.81**
GenElec	GE	**31.8**	16.18	–0.17	**–1.04**
Cemex ADS	CX	**31.2**	9.77	–0.96	**–8.95**
JPMorgChas	JPM	**28.3**	39.06	0.62	**1.61**
Intel	INTC	**26.5**	19.99	–0.01	**–0.05**
SouthFnl	TSFG	**26.0**	0.47	–0.22	**–31.59**
Yahoo	YHOO	**25.2**	16.17	0.18	**1.13**

Biggest gainers...

KeyTronic	KTCC	**476.4**	$4.96	$1.01	**25.57%**
CallnPete	CPE	**1,796.8**	2.40	0.38	**18.81**
SprMicrCptr	SMCI	**489.3**	13.40	1.79	**15.42**
SanminaCp	SANM	**4,804.8**	14.01	1.71	**13.90**
MarinerEngy	ME	**4,371.4**	15.54	1.87	**13.68**

...Biggest losers

GenVec	GNVC	**17,305.0**	$1.90	-$0.57	**-23.08%**
HutchTch	HTCH	**738.6**	7.36	-1.63	**-18.13**
JcksnHewitt TaxSvc	JTX	**2,741.1**	2.92	-0.60	**-17.05**
Kongzhong	KONG	**777.4**	8.87	-1.45	**-14.07**
Barnwell	BRN	**38.6**	3.48	-0.57	**-14.07**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**8,994.8**	$10.02	0.02	**0.20%**
4.24	1.65	**Utd Microelectronics**	UMC	**2,309.4**	3.75	-0.01	**-0.27**
82.74	33.09	**BHP Billiton**	BHP	**1,938.2**	72.54	-0.47	**-0.64**
15.95	8.65	**China Unicom**	CHU	**1,821.2**	11.05	-0.37	**-3.23**
91.97	56.79	**Toyota Motor**	TM	**1,334.3**	80.24	-6.54	**-7.54**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,044.2**	5.25	0.04	**0.81**
18.64	12.59	**SK Telecom**	SKM	**721.4**	17.85	0.75	**4.39**
8.19	3.93	**Siliconware Prec Ind**	SPIL	**688.7**	6.87	0.09	**1.33**
13.30	6.35	**AU Optrncs**	AUO	**671.2**	11.43	-0.04	**-0.35**
59.22	40.20	**China Mobile**	CHL	**603.0**	47.31	-0.43	**-0.90**
21.64	11.30	**KT Corp**	KT	**597.7**	21.45	1.34	**6.66**
34.27	10.64	**Aluminum Cp of China**	ACH	**487.1**	25.26	-0.86	**-3.29**
5.23	1.51	**Adv Semi Engrg**	ASX	**449.7**	4.04	-0.07	**-1.70**
81.00	38.70	**China Life Ins**	LFC	**444.7**	64.62	-0.68	**-1.05**
59.13	22.61	**Infosys Tech**	INFY	**420.6**	54.49	0.43	**0.80**
18.20	6.85	**Korea Elec Pwr**	KEP	**416.7**	16.99	0.52	**3.16**
34.99	15.64	**Sony**	SNE	**347.2**	32.81	-0.69	**-2.06**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**303.9**	20.52	-0.31	**-1.49**
150.50	47.09	**POSCO**	PKX	**236.7**	118.25	-2.58	**-2.14**
135.92	63.94	**PetroChina**	PTR	**203.8**	112.67	-0.97	**-0.85**
37.23	20.72	**Honda Motor**	HMC	**202.6**	33.99	-0.52	**-1.51**
9.50	3.96	**Nomura Hldgs**	NMR	**195.2**	7.62	-0.03	**-0.39**
7.74	2.00	**Alumina**	AWC	**160.5**	5.78	-0.22	**-3.67**
18.26	13.11	**NTT DoCoMo**	DCM	**153.8**	15.33	-0.01	**-0.07**
21.22	16.33	**ChunghwaTel**	CHT@	**139.4**	18.77	-0.02	**-0.11**
171.59	75.59	**CNOOC**	CEO	**139.0**	142.14	-0.01	**-0.01**
43.95	21.23	**Canon**	CAJ	**127.8**	40.67	-0.75	**-1.81**
26.67	17.71	**NTT**	NTT	**117.3**	21.60	0.00	**0**
17.19	10.60	**Matsushita Elec**	PC	**108.5**	16.05	-0.26	**-1.59**
4.68	1.50	**SemiMfgInt**	SMI	**103.3**	3.66	-0.15	**-3.94**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

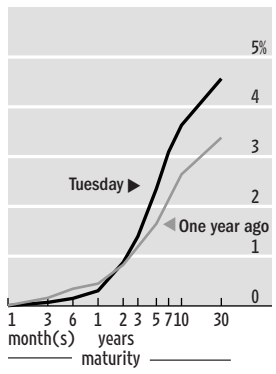
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.338%**	**351.0**	353.8	336.6	**173.0**	**4.345%**	4.337%	**2.558%**
4.500	10	**5.460**	**187.4**	190.9	185.6	**166.3**	**5.520**	5.661	**4.193**
5.000	**Austria** 2	**1.586**	**75.8**	80.1	-2.2	**77.2**	**1.608**	0.949	**1.600**
3.900	10	**3.669**	**8.3**	5.2	-16.9	**169.3**	**3.663**	3.636	**4.223**
2.000	**Belgium** 2	**1.401**	**57.3**	56.8	6.5	**78.8**	**1.375**	1.036	**1.616**
3.750	10	**3.743**	**15.7**	12.8	-12.6	**201.3**	**3.739**	3.679	**4.543**
1.250	**Canada** 2	**1.148**	**32.0**	36.6	42.2	**49.1**	**1.173**	1.393	**1.319**
3.750	10	**3.301**	**-28.5**	-25.3	-21.0	**36.8**	**3.358**	3.595	**2.898**
4.000	**Denmark** 2	**1.911**	**108.3**	109.9	104.4	**193.2**	**1.906**	2.015	**2.760**
4.000	10	**3.520**	**-6.6**	-6.9	-22.2	**122.3**	**3.542**	3.583	**3.753**
3.750	**France** 2	**1.184**	**35.6**	38.2	13.6	**101.0**	**1.189**	1.107	**1.838**
3.750	10	**3.436**	**-15.0**	-15.9	1529.5	**127.9**	**3.452**	19.100	**3.809**
1.250	**Germany** 2	**1.122**	**29.4**	31.9	21.6	**83.2**	**1.126**	1.187	**1.660**
3.250	10	**3.188**	**-39.8**	-40.6	-50.4	**74.6**	**3.205**	3.301	**3.276**
0.550	**Hong Kong** 2	**0.636**	**-19.2**	-17.1	-36.0	**-18.5**	**0.636**	0.611	**0.643**
2.160	10	**3.006**	**-58.0**	-73.3	-111.4	**-102.6**	**2.878**	2.691	**1.504**
5.000	**Italy** 2	**1.690**	**86.2**	84.8	51.3	**178.5**	**1.655**	1.484	**2.613**
4.250	10	**4.068**	**48.2**	40.5	24.7	**231.0**	**4.016**	4.052	**4.840**
0.200	**Japan** 2	**0.165**	**-66.3**	-64.2	-80.1	**-40.5**	**0.165**	0.170	**0.423**
1.300	10	**1.306**	**-228.0**	-228.2	-252.8	**-126.4**	**1.329**	1.277	**1.266**
2.500	**Netherlands** 2	**1.184**	**35.6**	38.0	-15.9	**123.5**	**1.187**	0.812	**2.063**
4.000	10	**3.386**	**-20.0**	-20.9	-34.4	**150.1**	**3.402**	3.461	**4.031**
3.200	**Portugal** 2	**1.401**	**57.3**	55.6	37.6	**129.6**	**1.363**	1.347	**2.124**
4.750	10	**4.239**	**65.3**	52.6	20.6	**213.3**	**4.137**	4.011	**4.663**
5.350	**Spain** 2	**1.586**	**75.8**	68.1	52.6	**173.7**	**1.488**	1.497	**2.565**
4.000	10	**4.108**	**52.2**	45.1	13.2	**188.1**	**4.062**	3.937	**4.411**
2.750	**Switzerland** 2	**0.566**	**-26.2**	-25.7	-38.9	**-29.1**	**0.550**	0.582	**0.537**
2.250	10	**2.008**	**-157.8**	-159.7	-186.5	**-27.3**	**2.014**	1.940	**2.257**
3.250	**U.K.** 2	**1.176**	**34.8**	39.3	34.6	**65.6**	**1.200**	1.317	**1.484**
4.500	10	**3.858**	**27.2**	25.4	19.1	**113.9**	**3.865**	3.996	**3.669**
0.875	**U.S.** 2	**0.828**	**...**	...	...	**...**	**0.807**	0.971	**0.828**
3.375	10	**3.586**	**...**	...	...	**...**	**3.611**	3.805	**2.530**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.565%**	16.20	1.46 %	1.46 %	1.46 %	–14.87 %
10-year Treasury	**3.630**	8.20	1.96	1.96	1.96	–4.69
7 Year Treasury	**3.093**	6.15	2.06	2.06	2.06	...
Five-year Treasury	**2.355**	4.60	1.71	1.71	1.71	1.53
Ryan Index	**2.652**	6.67	1.50	1.50	1.50	–2.14
3 Year Treasury	**1.397**	2.90	1.06	1.06	1.06	2.55
Two-year Treasury	**0.875**	1.98	0.68	0.68	0.68	2.06
1 Year Treasury	**0.305**	0.96	0.19	0.19	0.19	1.18
Six-month Treasury	**0.152**	0.50	0.03	0.03	0.03	0.64
Ryan Cash Index-a	**0.133**	0.45	0.06	0.06	0.06	0.58
Three-month bill	**0.071**	0.25	0.01	0.01	0.01	0.36
One-month bill	**0.005**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.52**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.40938%
Three month	**0.24875**	1.17438
Six month	**0.38344**	1.63063
One year	**0.84188**	1.91125

	Latest	52 wks ago
Euro Libor		
One month	**0.39000%**	1.76625%
Three month	**0.61125**	2.11750
Six month	**0.92625**	2.22000
One year	**1.19375**	2.32250
Hibor		
One month	**0.06929**	0.34714%
Three month	**0.13000**	0.94929
Six month	**0.25857**	1.25000
One year	**0.56643**	1.70000
Asian dollars		
One month	**0.2495%**	0.42%
Three month	**0.2633**	1.1725
Six month	**0.4013**	1.6125
One year	**0.8650**	1.9200

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.17%**	0.23%
U.K. (BBA)	**0.503**	1.558
Euro zone	**0.30**	1.15

Sources: WSJ Market Data Group; Reuters

MARKETS

Athens trims Asian borrowing hopes

Greek stocks slide and bond spreads rise as finance ministry denies plans for a debt sale to China

By Costas Paris And Alkman Granitsas

ATHENS—Greece's stock market tumbled nearly 4% and bond yields jumped amid a mix of jitters about stock markets in general and Greece's own need for cash.

The government denied reports of a planned bond sale to China, as it scaled back its plans to tap Asian borrowers, while the market prepared for the launch of a 10-year bond issue.

Greek bond markets slumped as well. Investors demanded a record premium, or spread, of 3.70 percentage points over 10-year German government bonds, the European benchmark, to hold 10-year Greek debt, topping the previous record of 3.18 percentage points hit Friday and up sharply from 3.02 percentage point Tuesday. The 10-year yield climbed to 6.682%.

The cost of insuring Greek debt, using so-called credit-default swaps, also reached a record 3.70 percentage point, according to data provider CMA DataVision. That represent an increase of €45,000 ($63,000) in the annual cost of insuring a notional amount of €10 million of Greek government bonds against default for five years.

It also puts Greece as one of the four countries in the world that investors consider most likely to default on its debt, behind only Argentina, Ukraine and Dubai, analysts said.

"The 10-year area is under pressure, not helped by the denial of speculation that Greece might issue large amounts of debt to China," Credit Agricole's investment banking arm Calyon said in a research note. "And moreover we expect that investors may now be keeping their hands in their pockets in anticipation of the new 10-year benchmark."

Greek officials have said that the country plans to move ahead with a new 10-year bond issue in the next two to four weeks.

But in a statement Wednesday, the Greek finance ministry denied that it had reached any deal to sell Greek bonds or state-linked assets, such as Greece's largest bank, to Chinese investors, or that it had mandated any investment bank to negotiate a sale on its behalf. The denial follows a Financial Times report that Athens had mandated **Goldman Sachs Group** Inc. to sell Greek debt of up to €25 billion in Asia, and possibly a stake in the National Bank of Greece SA.

"We categorically deny that there is any direct or indirect agreement between the Greek government and Chinese or other investment funds to purchase debt, Greek bonds or Greek assets," the finance ministry said in a statement.

"Likewise, we categorically deny that any mandate has been given to an investment bank to negotiate these issued on behalf of the Greek government," the statement added.

But a person with direct knowledge of the situation said Greece had hoped to sell up to €25 billion ($35.2 billion) in bonds to Chinese and other Asian investors. That looked increasingly distant Wednesday, after early feedback from China revealed interest in sums of less than half that total, the person said.

"It doesn't look good," the person said. "The Chinese may participate in a syndicated bond of up to $10 billion in late February, but they don't seem interested in a private placement of such a big amount."

That person said Greece has been in touch with Chinese banks since November in an effort to get a commitment for a big private placement.

A large investment from the cash-rich Chinese could be seen as a vote of confidence for Athens.

A cool response from China shelved that plan. "The [Wednesday] denials came after it was made clear that Chinese banks were not interested," that person said. "There have been a number of attempts with investment banks to tap Chinese interest. Unfortunately it didn't happen."

Greek Finance Minister George Papaconstantinou said in an interview Tuesday that he would lead a delegation to the U.S. and Asia to market Greek debt valued at at least $1.5 billion to $2 billion and denominated in euros, dollars and possibly yen. That trip will include stops in Beijing, Shanghai, Hong Kong and possibly Singapore.

"There is a lot of liquidity in China. There are big funds in China. This is why China is going to be part of the [investor meetings]," he said Tuesday. If Chinese investors are to get involved, the bond size has to be "significant...possibly $5 billion to $10 billion," he added.

The person familiar with the Chinese talks said Wednesday that it would have been during the visit to China that the Greek delegation would have tried to secure the private placement to increase volumes further. "They will still explore the Chinese intentions beyond the dollar bond," he said. "They will also see if there is any interest in upcoming privatizations, although hopes are not very high after what happened with Cosco."

In 2008, China's **Cosco Pacific** won a 25-year concession to manage one of the container terminals at the Athens port of Piraeus.

But Greek port workers staged a series of strikes beginning last September in reaction to the investment, which seriously disrupted the port's operations.

—Emese Bartha and Mark Brown contributed to this article.

Prosecutors bulk up their Galleon case

By Susan Pulliam

Federal prosecutors are lining up additional guilty pleas to bolster an insider-trading case amid a fight over evidence the U.S. can use at trial.

Tuesday, prosecutors from the Manhattan U.S. attorney's office filed a notice in a New York federal court indicating that Mark Kurland, a former partner at a Bear Stearns-run hedge fund, may waive his right to an indictment by a grand jury. Such a filing may signify a plea of guilty with the government is near. Mr. Kurland's lawyer didn't return a call for comment.

Mr. Kurland, 53 years old, is among 21 individuals who have been charged in the largest insider-trading case in a generation. At the center of the case are **Galleon Group** founder Raj Rajaratnam, and Danielle Chiesi, who worked for Mr. Kurland at the Bear Stearns fund, called New Castle Partners LLC. Mr. Rajaratnam and Ms. Chiesi have pleaded not guilty and have vowed to fight the charges.

A possible plea of guilty by Mr. Kurland is significant because it could pave the way for him to cooperate against Ms. Chiesi, who was charged with conspiracy and insider trading in the case, securities lawyers said. Any trial of Ms. Chiesi and Mr. Rajaratnam could turn on testimony of defendants like Mr. Kurland, who are alleged to have participated in the trading ring.

Tuesday's court filing comes amid a list of defendants cooperating in the case. This month, the U.S. obtained a guilty plea and cooperation agreement from former **McKinsey** & Co. consultant Anil Kumar, who told a federal judge he had received more than $2 million from Mr. Rajaratnam in exchange for inside information he provided about an acquisition by **Advanced Micro Devices** Inc. Mr. Rajaratnam has denied the allegation.

Before charging Mr. Rajaratnam and Ms. Chiesi, the government had lined up six cooperating witnesses, all of whom pleaded guilty in hopes of reducing their sentences. Defending Mr. Rajaratnam against the accounts of additional witnesses who may testify against him grows more challenging with each additional guilty plea, lawyers said.

The developments come amid a fight between the government and defense lawyers over the government's use of wiretap evidence in the case. Monday, the battle began in a hearing before U.S. District Judge Jed Rakoff over whether the wiretaps collected in the criminal case should be provided to the Securities and Exchange Commission in a corresponding civil case. Some defendants, including Mr. Rajaratnam, are arguing that the SEC shouldn't have access to them.

Judge Rakoff could decide the issue as early as next week. But that won't end the tussle: In the next few months, lawyers for the defendants are expected to try to persuade judges overseeing both civil and criminal proceedings that the wiretapped evidence was improperly obtained, among other things, and shouldn't be admitted as evidence, legal specialists said.

Such wrangling highlights the importance for the government of securing pleas of guilty and cooperation agreements. Putting numerous witnesses on the stand who broadly corroborate each others' versions of an alleged scheme is highly effective, securities lawyers said.

—Chad Bray contributed to this article.

Associated Press; Bloomberg News (Chiesi)

A possible plea of guilty by Mark Kurland, left, could pave the way for him to cooperate in the government's case against Danielle Chiesi, right.

Citic unit sets up private-equity fund targeting state-owned firms

Continued from page 21

foreign investment, such as the media. "We'll fully leverage that," Mr. Wu said.

The fund has already invested 2.4 billion of the 2.7 billion yuan available after the first round of fund raising. Among its portfolio companies are Kuaijishan, the oldest Chinese liquor brand, and Wind Info, a data-service provider that aspires to be the "Bloomberg of China."

Although all foreign equity firms operating in China stress their local recruitment and "guanxi"—official connections—in order to win business, Mr. Wu said the Citic fund's Chinese roots would be a core part of its appeal, allowing it to establish an "emotional connection" with local firms.

"We can say 'we are your friend'," he said.

The fund would play on the aspirations of local companies to emulate Chinese corporate success stories such as Lenovo Group Ltd., China's biggest personal computer maker by shipments, and white-goods giant, Haier Group.

Mr. Wu joined Citic Private Equity from Legend Holdings Ltd., where he was managing director. Legend is the parent of Lenovo.

The chairman of Citic Private Equity is Liu Lefei, who was formerly the chief investment officer of China Life Insurance Ltd., one of China's leading insurers. Unlike top executives at many private-equity firms in China, Mr. Liu has never studied overseas. The fund's investment committee "doesn't need to speak English," Mr. Wu said.

Mr. Wu said Citic Mianyang will seek minority stakes in companies. "Control doesn't work in China," he said, noting the dominant role played in many Chinese companies by their founders, who are often reluctant to step aside.

Among the fund's targets in the state sector will be companies that build machine tools and heavy equipment for China's manufacturing industries.

About one-half of the fund's investors are state-owned enterprises or state entities, Mr. Wu said. The remainder are in the private sector.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Can Toyota keep reputation for quality?

For a brand that prides itself on quality, this could be a crippling blow.

In an unprecedented decision, **Toyota Motor**, the world leader by vehicle sales, Tuesday said it was suspending sales of eight of its most popular models in the U.S. due to potential accelerator problems. The extraordinary step follows a recall last week of 2.3 million vehicles in the U.S. and an earlier recall of 4.2 million vehicles—both due to similar issues.

These are heavy blows for a company aiming to become profitable again and raise factory operating ratios by bolstering sales. In the past two years, Toyota's losses totaled $7.1 billion, and its stated aim is to return to profitability in the year that starts in April.

That goal is now in doubt.

The company will also halt production of the eight models for a week beginning Feb. 1 at several North American plants. The models represented 57% of Toyota's 2009 sales in the U.S.—its No. 2 market by volume.

The duration of the sales suspension isn't clear, which indicates the fixes may not be quick.

Questions also remain over whether the accelerator problem extends beyond the U.S. Toyota shares dropped more than 4% Wednesday in Tokyo.

In the U.S., the longer term, and potentially more onerous, problem is the damage that Toyota's woes could cause to its strong reputation for quality and safety. That led to higher resale values and brand loyalty compared with many other Japanese and U.S. makes—factors that feed into each other to create a virtuous cycle.

Once that cycle is broken, restoring it is both time-consuming and expensive.

In terms of customer loyalty, Toyota was No. 1 last year in the U.S., according to R. L. Polk & Co. That means lower advertising and marketing costs, and free word-of-mouth promotion.

The full impact of Tuesday's news may not be felt until owners sell or trade in their Camry or Corolla. Toyota also may have to put aside more reserves if the residual values of cars coming off leases declines.

And **Honda Motor** and **Hyundai Motor**, which compete with Toyota in making fuel-efficient, quality cars in the U.S., will be more than willing to poach its customers.

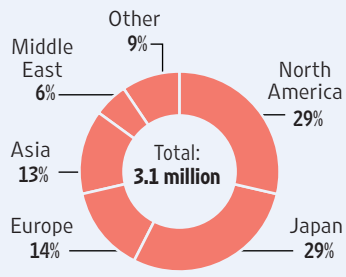
Much will depend on whether Toyota handles its latest problem well.

If it stumbles, the car maker will be known not just for lean manufacturing but also lean profits.

—James Simms

Stop signs

Global Toyota unit sales by region as of first half of FY2010*



* Fiscal year ends March 31 of year shown.
Sources: the company, Bloomberg News (photo)

Risk rethink: Policy worries drive selloff

The markets' shift away from risk in the past two weeks has been swift—and the damage has been widespread. The S&P 500 has fallen 5% from its peak; the VIX volatility index has spiked to a three-month high; and U.S. high-yield bond spreads over Treasurys have widened nearly half a percentage point from their lows, according to Bank of America Merrill Lynch.

Policy risk is the proximate cause of the selloff: Faced with China's monetary tightening, Greece's debt woes and fears over bank regulation, investors are demanding a bigger risk premium. Above all, investors worry that U.S. President Barack Obama's bank plans may be the start of a global regulatory shift that may crimp growth and earnings before banks' ability to finance themselves has fully recovered.

But the selloff is also healthy. The 2009 rally ran too far, too fast.

Rising risk premiums will help investors hit return targets while investing in straightforward instruments such as corporate bonds or equities rather than some of the more dubious products—such as first-to-default baskets or payment-in-kind notes—that had alarmingly started to make a comeback at the end of last year.

But policy makers won't want risk aversion to rise too far. Higher risk premiums will impose a cost on the economy if they lead to higher borrowing costs and reduced credit availability. Ultimately, the markets may prove the best antidote to political risk.

—Richard Barley

The error behind IPO of Rusal

Finally allowed a say, Hong Kong's broader investing community has shown it is none too impressed by Russian aluminum giant **Rusal**.

After raising $2.55 billion through a controversial initial public offering, Rusal's shares sank 11% on the first day of trading.

It isn't the worst performance by a newly listed stock on the Hong Kong exchange in recent months. Rusal's debut has also come amid subdued market sentiment, with investors worried that China may be starting to rein in its economic growth. Rusal's pitch as a play on growing Chinese aluminum consumption may have made it particularly susceptible to such concerns.

Still, the sharp drop in the new stock's value might suggest that Hong Kong regulators got it right by limiting the Rusal IPO to institutional and high-net-worth investors. The Securities and Futures Commission set such a high minimum lot for IPO subscribers that retail investors were effectively excluded.

That, however, would be the wrong conclusion.

By allowing the Rusal IPO to go ahead with a restricted investment base, the Hong Kong exchange and the SFC signaled they had significant qualms about the quality of Rusal as a company. But so keen was the exchange to have a high-profile foreign company listing that the concerns fell by the wayside.

Assuming Rusal's IPO prospectus disclosed all the risks faced by the company—the list ran to 30 pages—investors should have been allowed to make their own judgments about the risk-reward balance of investing in the stock.

The fall in Rusal's share price Wednesday could provide retail investors willing to buy the company's long-term growth story a cheaper entry, although they will still have to come up with roughly $25,000 for the minimum lot. Certainly, given the low turnover of shares on the company's first day of trading, it seems Rusal's cornerstone investors are willing to be patient.

But that doesn't excuse the mess the Hong Kong authorities have made of this particular listing.

—Andrew Peaple

OVERHEARD

If at first you don't succeed, try again. That seems to be **Pimco**'s thinking.

January, with 10-year gilt yields at 4%, the bond giant said it would cut U.K. government-bond holdings. Sterling sank; yields climbed.

Since then, however, gilts have rallied on renewed risk aversion. Ten-year bonds now yield 3.85%. But Pimco is sticking to its guns.

"The U.K. is a must to avoid," **Bill Gross** writes in his latest investment outlook.

"Its gilts are resting on a bed of nitroglycerine."

Clean, available water is the most important **resource** for both human and economic development.

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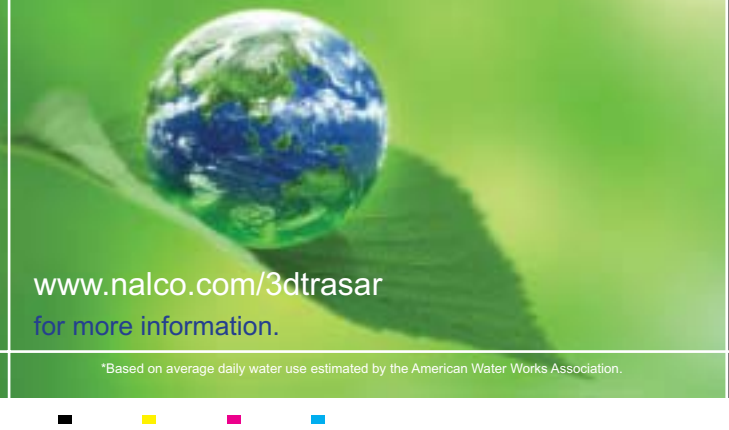
That's enough water to **sustain** the population of Freeport for 3 years or for the daily use of more than 14.4 million people.*

Four Billion Liters.

NALCO

DOW



www.nalco.com/3dtrasar
for more information.

Dow's commitment to addressing the global water crisis includes game-changing technologies, partnerships in strategic regions, and collaboration with industry leaders like Nalco to reduce its environmental footprint.

*Based on average daily water use estimated by the American Water Works Association.

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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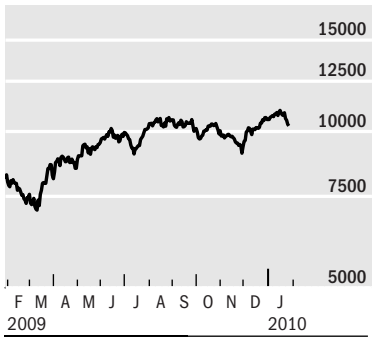
Asian index movers...

Nikkei Stock Average
Japan 10252.08
▼ **0.71% or 73.20**

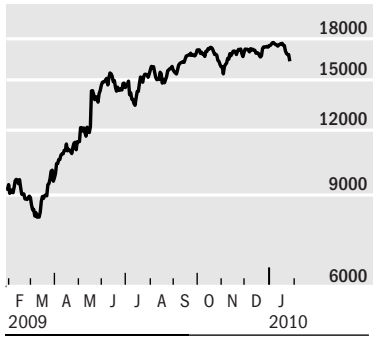
Toyota Motor took a beating for the fourth straight day after it halted U.S. sales on several models. Other exporters weakened, with Sony dropping 2% and Canon off 2.8%.



Stock	Volume in millions	Close	Change Net	Change %
Hitachi	**119.82**	303	unch	...
Mtshbsh Fin Grp	**75.71**	473	1	0.21
Mizuho Financial	**70.78**	184	1	0.55
SumitomoMitsuiFinl	**44.81**	2,921	11	0.38
Toshiba	**37.58**	497	3	0.61

Sensex
India 16289.82
▼ **2.92% or 490.64**

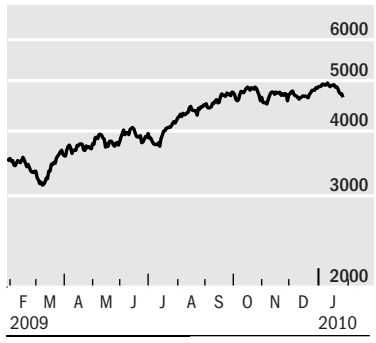
Shares of banks and auto and metals companies led stocks lower for a sixth session. State Bank of India sagged 5.1%, while ICICI Bank slid 5%. Tata Steel dropped 8.5%.



Stock	Volume in millions	Close	Change Net	Change %
Dlf-A	**3.80**	317.05	–26.95	–7.83
Tata Steel-A	**3.35**	558.70	–51.80	–8.48
Jaiprak Asso-A	**2.88**	137.55	–4.65	–3.27
Hindalco-A	**1.94**	150.10	–9.00	–5.66
Reliance Com-A	**1.47**	174.90	–4.20	–2.35

ASX 200
Australia 4644.635
▼ **1.55% or 73.221**

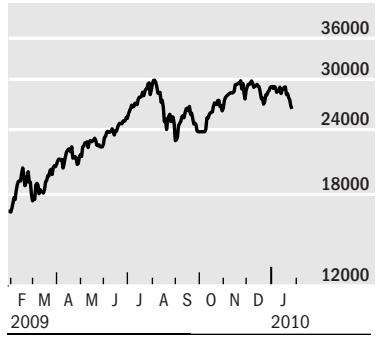
The market tumbled to its lowest close in more than four weeks, hurt by inflation data. BHP Billiton and Rio Tinto fell as materials and energy shares declined.



Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**82.34**	0.36	–0.02	–4.05
Telstra	**59.85**	3.43	–0.02	–0.58
Goodman Grp-Stpl	**47.47**	0.57	–0.02	–2.56
GPT Group	**47.15**	0.57	0.02	3.64
Lihir Gold	**37.28**	2.92	–0.13	–4.26

CBN 600
China 26317.16
▼ **1.26% or 336.51**

Stocks ended at a near-three-month low, with big financial companies leading the decline. China's largest lender by assets, ICBC, fell 1.8% and China Citic Bank eased 3.2%.



Stock	Volume in millions	Close	Change Net	Change %
Icbc	**150.88**	4.90	–0.09	–1.80
Constr Bank	**149.78**	5.66	–0.18	–3.08
ChinaMerchantsBk	**141.11**	15.44	–0.65	–4.04
China State Con	**127.63**	4.26	–0.01	–0.23
ChinaMinshengBkg	**119.26**	7.32	–0.23	–3.05

Asian stocks in the news

Yamazaki Baking
Japan ¥1,059
▲ **1.3% or ¥14**

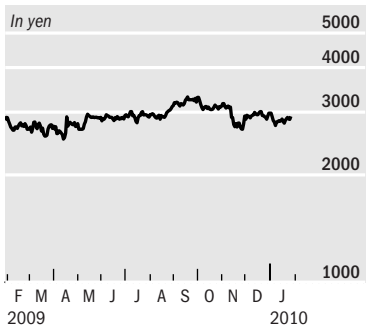
The company increased its planned full-year dividend.

Price-to-earnings ratio	**27**
Earnings per share, past four quarters	**39.00**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**-0.5%**	-4.3%	37.2%
Yamazaki Baking	**1.3%**	-1.4%	-13.0%

Santen Pharm
Japan ¥2,919
▲ **2.0% or ¥57**

Pharmaceutical stocks gained as investors focused on companies that rely on domestic demand.

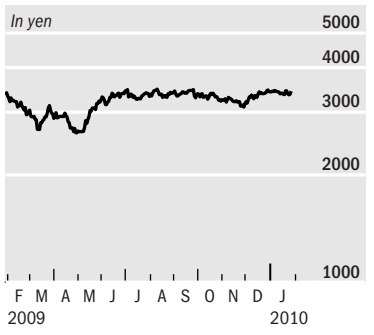


Price-to-earnings ratio	**14**
Earnings per share, past four quarters	**206.90**
Dividend yield	**2.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Health Care	**-0.1%**	-1.2%	12.9%
Santen Pharm	**2.0%**	2.6%	2.6%

Eisai
Japan ¥3,435
▲ **2.1% or ¥70**

Shares of companies that depend on domestic demand climbed.



Price-to-earnings ratio	**25**
Earnings per share, past four quarters	**135.90**
Dividend yield	**4.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Health Care	**-0.1%**	-1.2%	12.9%
Eisai	**2.1%**	-0.3%	2.2%

Seven & I Hldgs
Japan ¥1,985
▲ **3.1% or ¥60**

Investors were hopeful about restructuring efforts after the firm said it would close a Seibu store.

Price-to-earnings ratio	**17**
Earnings per share, past four quarters	**120.30**
Dividend yield	**2.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.7%**	-3.8%	29.9%
Seven & I Hldgs	**3.1%**	-1.2%	-20.0%

Kao
Japan ¥2,255
▲ **5.0% or ¥107**

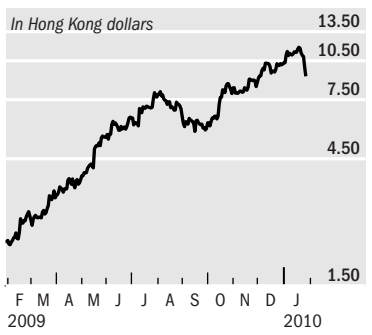
Goldman raised its target price on the stock, citing a rise in third-quarter operating profit.

Price-to-earnings ratio	**30**
Earnings per share, past four quarters	**75.90**
Dividend yield	**2.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-0.4%**	-2.3%	29.1%
Kao	**5.0%**	2.0%	-7.0%

CNPC (HK)
Hong Kong HK$9.18
▼ **7.6% or HK$0.76**

A consortium finalized a deal to develop Iraq's Halfaya oil field.



Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**0.51**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-1.5%**	-7.0%	48.6%
CNPC (HK)	**-7.6%**	-21.5%	331.0%

Fortescue Metals Grp
Australia A$4.54
▼ **5.2% or A$0.25**

Australian mining companies fell on investor nervousness over China demand.

Price-to-earnings ratio	**21**
Earnings per share, past four quarters	**0.22**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-2.7%**	-8.7%	68.7%
Fortescue Metals Grp	**-5.2%**	-11.7%	168.6%

China Everbright
Hong Kong HK$18.20
▼ **5.3% or HK$1.02**

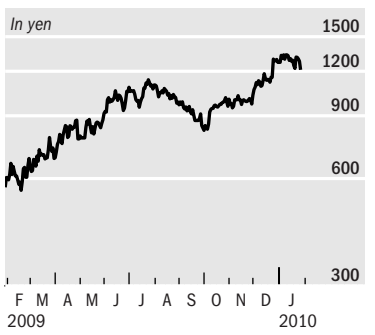
The company plans to restate previously issued financial results to account for certain warrants.

Price-to-earnings ratio	**51**
Earnings per share, past four quarters	**0.36**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services	**-1.1%**	-5.8%	52.3%
China Everbright	**-5.3%**	-15.3%	131.6%

Nippon Elec Glass
Japan ¥1,211
▼ **5.4% or ¥69**

A drop in nine-month earnings sent shares lower.

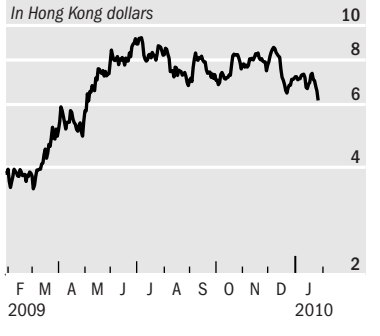


Price-to-earnings ratio	**11**
Earnings per share, past four quarters	**105.50**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.2%**	-5.2%	49.1%
Nippon Elec Glass	**-5.4%**	-0.9%	113.6%

Sino-Ocean Land
Hong Kong HK$6.16
▼ **6.0% or HK$0.39**

The company's shares slid 6%, for a five-day decline of 16%.



Price-to-earnings ratio	**16**
Earnings per share, past four quarters	**0.38**
Dividend yield	**1.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-1.6%**	-6.2%	42.4%
Sino-Ocean Land	**-6.0%**	-16.1%	77.5%

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